enli<del>missi</del> te e siegees

World News

#### Freed Sisulu moves to re-establish banned ANC

Seven senior leaders of the African National Congress, led by Walter Sisulu, were released from prison and immediately moved to re-establish their banned organisation at the head of the anti-apartheid movement in South Africa, Page 20

#### Israeli jalled

Israeli reserve sergeant Ilan Orev, 25, was jailed for two years in connection with the deaths of two Palestinians. The court said he fired live ammunition at West Bank stone-throwers. PLO hardens stance, Page 4

Helicopter deaths A Saudi Arabian helicopter crashed during a training flight killing all five crewmen on board, including three employees of British Aero-space, the official Saudi Press Agency reported.

Perestroika plea Soviet Prime Minister Nikolai Ryzhkov sought to head off a growing backlash against the perestroika reform proce pleading for more time to allow

the changes to work, Page 20

**EC** visit to Warsaw Foreign ministers of the Euro-pean Community have agreed on urgent high-level visits to Poland and Hungary to follow up EC initiatives on reform.

Tanaka to step down Mr Kakuei Tanaka, 71, the for-mer Japanese Prime Minister

who dominated Japan's politics despite being arrested in 1976 for taking a bribe from Lockheed Aircraft, announced he would leave parliament after the next election. Page 4

#### Angolan talks

6.2.5

72.3

Efforts to revive the Angolan peace process were under way at the weekend as all parties French chatean of Zaire's President Mobutu. Page 3

#### Berlin spy case

American military authorities in West Berlin said they had detained a member of the US Air Force and two Soviet military officers for spying.

#### Papandreou trip

Former Greek prime minister Andreas Papandreou, seeking a comeback in elections next month while facing a corruption trial, left unexpectedly

#### Dutch accord close

**Dutch Prime Minister Rund** Lubbers is working on a draft coalition accord that will pave the way for a left-leaning government Page 2

#### Dublin reform call

Irish Premier Charles Haughey, speaking ahead of more Anglo-Irish talks, called for reform of British security

#### policy in Northern Ireland.

Indian death toll 25 Twenty-five people died in communal clashes in Indore city in central India where police have imposed a curfew after riots erupted during a

#### religious procession.

**HK hunger strike** More than 7,000 Vietnamese boat people in detention cen-tres throughout Hong Kong entered the second day of a hunger strike to protest against possible forced repatri-

#### Dancer missing

Vladimir Karimov, a Soviet dancer touring Spain with the Red Army's choir and dance company, has disappeared from his hotel in Madrid.

#### Storm tragedy

At least 10 people died and 350 homes were destroyed in a rainstorm that lashed southern Colombia on Saturday.

#### Faido leaves it late

US Masters golf champion Nick Faldo sank a 20st putt for a birdie at the final hole at Wentworth, England, to go in front for the first time and win the World Matchplay title against fellow-Briton lan Woosnam.

#### **Business Summary**

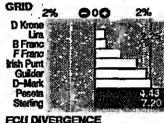
#### BAe and Thomson to seek missile merger

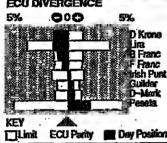
BRITISH AEROSPACE and Thomson-CSF are seeking a go-ahead from the UK and french governments to merge their top-security missile busi-nesses into a joint company with annual sales of £1.4bn (\$2.2bn)\_

The two companies, Western Europe's largest suppliers of military equipment, plan to announce today their intention to set up a 50-50 venture, Eurodynamics. Page 26

**EUROPEAN MONETARY SYS-**TEM: Pressure mounted on the Danish krone in the EMS last week. The Danish Central Bank sold D-Marks as the krone fell to its cross rate intervention limit against West German currency. Speculation increased that Denmark will be forced to wise intervention be forced to raise interest rates and that the strength of the D-Mark will soon lead to a realignment of the system. Currencies, Page 34

October 13,1989





The chart shows the two constraints on European Monetary System rates. The upper grid, based on the weakest currency in the system, defines the cross-rates from which no currency (except the lira) may move more than 24-per cent. The lower chart gives each currency's divergence from the "central rate" against the European Cur-rency Unit (ECU), a basket of European currencies.

US Budget: early legislation to reform the US hudgetary process is now certain, in the wake of Congress's failure to meet a deadline for approving

a budget. Page 2 **NEW Zealand Stock Exchange** Five of New Zealand's bestknown directors are to face charges under the Securities and Companies Acts, in the first prosecution of individuals

resulting from the October 1987

share market crash. Page 2

FALCONBRIDGE, western world's second largest nickel producer, met market expectations by reporting earnings of C\$351m (\$300m) or \$5.26 a

share in the first nine months of 1989, up from \$217m or \$2.8 a share a year earlier. LIBRA Bank, consortium bank specialising in debt arbitrage in Latin America reported a pre-tax loss of £174.6m (\$270m)

30 down from a pre-tax profit of £10.9m in the same period last year. Page 24 CANADIAN Imperial Bank, country's second largest char-tered bank, is to add C\$525m

in the half year ending on June

(\$449m) to existing LDC and general loan provisions in its fourth quarter ended October, 1989. Page 24 ITO-Yokado Group, which

runs supermarket and convenience store chains, reported a 4.2 per cent increase in conolidated net profit for the first half to end August of Y26.8bn (\$188m). Page 23

EUROC, Swedish building materials, engineering and trading group, predicted its profits after financial items for 1989 would rise 27 per cent to SKrl.05bn. Page 24

BRITCAIR, a company which specialises in wound dressings made from seaweed and expects to show a taxable profit this year of £250,000 (\$390,000), is being bought by Merck of the US, the world's largest pharmaceuticals group, for \$27m. Page 24

UK RETAILERS: retailers face a grim outlook with increases in mortgage rates likely to restrict already subdued sales, the latest Confederation of British Industry/Financial Times distributive trade sur-

vey suggests. Pages 8 and 14 JAPANESE protectionism: US government officials are adopting more conciliatory tones in its efforts to persuade Japan to reduce its protectionist trade practices. Page 2

# OFFICIALS COORDINATE APPROACH TOKYO CUE SOUGHT INVESTORS TOLD NOT TO PANIC Fed prepares to prop up markets

THE US K-deral Reserve is ready to pump the banking system with cash today to pre-vent the 190 point plunge in the Dow Jones Industrial average on Friday from developing into a financial crisis.

The US central bank plan to

inject cash into the markets was co-ordinated with mone-tary officials in Asia and Europe over the weekend, and means the Fed is prepared to repeat the rescue role it per-formed during the October 1987 market crash.

A senior Fed official, reporting on a series of meetings in Washington between top US policy-makers, said: "Markets will be able to count on us to make sure the financial system stavs liquid."

After the October 1987 collapse, the Fed injected cash into the system by bnying Treasury bills from banks and security houses. The move pro-vided liquidity to banks which might otherwise have cut off funding from brokerage houses which had run up heavy losses, and it was widely credited with restoring confidence in the

stock market.
Over the weekend, Mr Alan
Greenspan, Fed chairman,
remained in close contact with senior Administration officials, including Mr Nicholas Brady, US Treasury Secretary, and Mr Richard Breeden, the new chairman of the Security and Exchange Commission, the US



Greenspan (left) and Brady (centre): in close contact; Bérégovoy (right): urging sang froid share prices had passed from market to market across time

stock market watchdog.
Their plans were relayed to
officials in other main finanofficials in other main finan-cial centres, notably Tokyo where markets were dua to open this morning. US officials said they expected the Bank of Japan, the central bank, to be prepared, if necessary, to pump money into the system.

Senior officials from the central banks, finance ministries and regulatory agencies of the leading industrial countries stayed in informal telephone contact over the weekend. But it is understood that no crisis meetings took place. European officials stressed

that they were conscious that during the October 1987 mar-ket meltdown, the decline in



market to market across time zones without fundamental cause, and for this reason officials had kept in touch.

But the view shared by the Bank of England, the British Treasury and the West German Bundesbank was that Friday's avents reflected energing US. events reflected specific US

problems such as the weakness of the junk bond market and the high debt-to-equity ratio in many US companies. Because of these circumstances, the European finance ministries and central banks want to avoid an exaggerated response to last Friday's 190-point fall on the Dow Jones Industrial Aver-

age. European officials said yes-



terday that monetary authorities would take their cue from how the Tokyo stock market performed overnight. Although the Bank of England said at the weekend that it saw no reason for the London equity mar-ket to follow Wall Street's dra-matic fall, it is generally thought that there will be some markdown in share prices in Britain and elsewhere in Europe. The policy response

how investors react. Yesterday, Mr Pierre Beregovoy, the French finance minister, urged investors not to panic but keep their "sang-froid" following the share plunge on Wall Street. He was quoted in the Journal dn

ON OTHER PAGES

• Editorial comment

would therefore depend also on

Dimanche newspaper as saying: "It all calls for a very great

tary policy following Friday's fall could exacerbate inflation-ary pressures. In Britain, the current high 7.6 per cent infla-tion rate is blamed partly on too sharp a cnt in interest rates after the October 1987

For Mr Nigel Lawsoo, Britain's Chancellor of the Exchequer, Friday's events could bring some short term relief in a reduction of speculative pressure against sterling. Expectations of Fed easing caused the dollar to fall sharply in New York on Friday against the Japanese yen, the pound and other European cur-

While Europe was adopting a "wait and see" attitude, senior US commentators yesterday downplayed any notion of crisis. Senator Lloyd Bentsen, Democrat chairman of the Sen-ate Finance committee, said he was confident the lessons of October 1987 would be applied: "The meltdown procedures are more sophisticated than

before," he said. Senator Phil Gramm, his Republican colleague from Texas agreed: "The mechanism

## Consortium co-operation on the part of the economic and monetary authorities; in fact, concertation is continuous." Enropean officials are concerned that an easing of monetary policy following friday's restructure

buy-out By Paul Betts, Aerospace Correspondent, In London

THE consortium bidding with British Airways for United Airlines of the US is expected to be forced to restructure its original \$6.8bn buy-out plan following the Wall Street plunge last Friday and the consortium's failure to secure consortium's failure to secure financing for its original deal.

However, BA, which has clearly been shaken by the collapse of the financing, appeared confident yesterday that a restructured hid would be successful. The UK airline emphasised it was still keen to acquire a stake in United Air-lines (UAL).

But it acknowledged there may have to be a readjustment

in the original price of the deal following the fall in the value of US airline stocks. The UK airline was due to

acquire a 15 per cent stake in UAL for \$750m as part of the huy-out led by a consortium including the management and pilots' union of the second largest US airline.

We are keen that a consortium bid should go ahead in which we would have a similar involvement as in the existing hid," a senior BA offical said and related to the junk bond market. There was no reason for it to affect the Tokyo or

yesterday. However, he added that mar-ket conditions had changed London markets. Stock marand this would probably imply a renegotiation of the price of the original deal.

The UAL consortium bid which failed to secure the peckets generally were not so out

essary financial backing last Friday, triggering off the plunge on Wall Street, has been offering \$300 a share for the US airline.

the sharp fall in US airline stocks.

The collapse of the financing of the UAL bid is clearly a setback for BA

Indeed, BA was generally felt in the City of London to be paying a heavy premium to acquire a direct stake in UAL Continued on Page 20

# Similarities to 1987 crash played down

THE THREAT of a stock market crash of 1987 propor-I was in the governors' suite of the Federal Reserve in Washington when the tions was generally played down by participants in lead-ing markets around the world yesterday. news of the Wall Street crash arrived. The Fed seemed well-prepared for such an eventuality and I was much taken by the prevailing calmness. A few notes were passed Most claimed market condiin and out. One or two people returned

tions were now different to those of two years ago, despite snperficial similarities suggested by the levels of stock market indices.

While an immediate marking down of stock prices on the what they forced would be a down of stock prices on the major exchanges ontside the

US was widely expected for this morning, there was confidence that a greater degree of stability would return to the markets than followed the collapse on Black Monday — October 19 1987. It was unclear last night to what extent this was wishful thinking. Private fears were expressed in some quarters

that if prices failed to stabilise

in the Far East, a chain reac-tion of collapsing stock prices could quickly circle the globe.

In New York, securities industry and exchange officials

were bracing themselves for

Samuel Brittan, Page 19 what they feared would be a lively and possibly chaotic opening to trading this morning, despite the Fed's signal of support. Traders said many uncompleted sell orders were left over from Friday because trading in several stocks was halted and the market in stock-index fntnres was suspended under the deluge of

business late in the day. Trading in the main futures contract, the Standard & Poor's 500 Index, was suspended in the last quarter-hour of trading on Friday after taking its 20point maximum permissible fall, but it was not clear over the weekend whether this sta-

 Lex: The high price of liquidity
 Anatomy of a crash; Historical analysis of share values; Views from London, Tokyo and New York momentarily to their offices. But I was not International bonds asked to leave and the conversation on policy US credit and money World stock markets

> merely created a temporary dam to selling which could be overwhelmed today. Traders also said arbitra-geurs – professional takeover speculators - were likely to be big sellers because of the money they had lost in stocks seen as takeover candidates, notably UAL and AMR, two airline holding groups, which were expected to open today 10-20 per cent below their lev-

hilised the stock market or

els on Friday afternoon. Underlying the hesitant confidence elsewhere around the world was the belief that the near-7 per cent fall in the Dow Jones Industrial Average on

other markets would have to make some downward adjustment to take account of it, the contagion would not prove as dangerous as in 1987.

This hope was buoyed by the belief that pressure in the currency markets would focus on

the US dollar, which it was claimed would bring respite to other currencies, in particular sterling, and help to sustain stock prices.

Sir Jeremy Morse, chairman of Lloyds Bank and a senior Bank of England official, said what had happened on Wall Street was a US phenomenon

of line with economic funda-mentals as at the time of the 1987 crash, he said. In Japan, the prevailing view among fund managers was that US equities were overdue for a fall after a long sustained rally. The failure of the UAL financing was seen as a trigger in sending prices down to more sustainable levels. It seems Friday was largely a local phenomenon, and that although

> Japanese investment in US equities will slow. Across Europe, hope was expressed that local markets were largely insulated from Wall Street's problems.

In London, market makers pointed out that the stock mar-ket had already fallen around 8 per cent from its high this summer, while Wall Street continned to advance. Despite this. London prices are expected to open well down on Friday's close, in common with prices Continued on Page 20

US analysis snggested the deal was now likely to be rene-gotlated at a price of around \$260 - \$275 a share following likely, though, that the pace of

However, It could also turn ont to be a hiessing in disguise for BA by enabling the UK airline to renegotiate a lower

# **Futures exchanges monitor** exposures in test of reforms

By Katharine Campbell in Chicago

REFORMS of the Chicago futures markets put in place after the October 1987 crash face a stern test today, but offcials were insisting yesterday that the near-chaos seen then should be averted.

Exchanges in Chicago and New York will keep a close watch on exposures in the stock and futures markets, and plan to communicate with each other more effectively than two years ago. The Chicago markets are expected to make a special call on members for money as collateral for positions in the market if "circuit

breakers" are triggered as they were on Friday. Circuit breakers are trading halts triggered automatically by sharp fluctations, designed to give the markets a breathing space. Friday's drop in the stock market caused such halts for only the second time since their introduction in July 1988. Tha Chicago markets deal actively in futures contracts based on stock market indices and are thus closely linked to

dealing in New York.

On Friday, the Chicago Mer-cantile Exchange's contract based on Standard & Poor's 500-stock index fell by 12 points, halting trading for 30 minutes. When it resumed, the futures market fell a further 18 points, triggering another close after which it did not reopen. On the Chicago Board of

Trade, futures on the Major Markets Index, which moves very similarly to the Dow Jones Industrial average, fell by the initial 50 point limit, halting trading. The stock market in New York, however, remained open because its first trading half is

not triggered unless the Dow Jones average falls 250 points. The CBT will tighten its circuit-breaking mechanism from today, with a first halt in Major Market Index futures triggered if the price falls 20 points, and the maximum daily movement limited to 50 points. Some observers warned at the weekend that the circuit-hreakers could have exacer-

letter of intent ...

papered over ....

bated the stock market's fall, hecause operators unable to alter their positions in the futures markets resorted to selling actual shares instead.

On the other hand, pressure on the stock market could have been relieved because computunderlying stock market, were halted by the close of the Chi-cago market.

Exchange officials said new facilities for customers to net their positions ont should reduce the size of "margin" calls on members for deposits to collateralise their holdings. Meanwhile, almost regardless of the direction of the Dow

erised arhitrage progammes, which seek to take advantage of differences in prices between futures contracts and the

today, exchange officials anticipate that the role of computerised arhitrage will again he scrutinised by Congress once again. Senate hearings on a bill to extend the manadate of the CFTC are scheduled for tom-

Unit Trusts \_\_\_\_\_ 28-31

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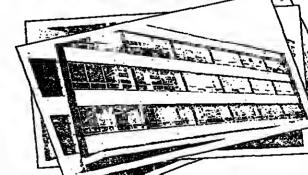
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#### THE MONDAY INTERVIEW

25.26



Ms Vasso Papandreou, tha strongtomorrow takes her British House of Comtila territory. Page 38

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willed European Social Affairs Commissioner, campaign for a basic workers' charter to tha mons. It is targely hos-

regime for Antarctica Japan: Washington offers sudden olive branch to Tokyo .... Lex: High price of liquidity; BA/UAL; Beecham; Pearl Group .... Northern ireland: Survey ............ Section Ill .... 20 -Wall Street ........ 35-37 34 Lex ... Lombard 15 UK Gilts ...... 27 Monday Page ... US Bonds ... ... 8 International bonds ..... 23 Money Markets ...... 34

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Buenes Aires: Argantina gives datails of IMF

European Community: Bringing harmony to

US Budget cynicisms Cracks that can't be

Editorial Comment: A strategy for science; a

tha Babel of accounting languages ..

# Reform planned as US budget misses deadline

By Peter Riddell, US Editor, in Washington

EARLY legislation to reform yesterday the US budgetary process is now certain, in the wake of Congress's failure to meet a deadline for approving a bud-get. By law this will trigger across the board spending cuts

of just over \$16bn later today to reduce the federal deficit. After a deal between Democratic and Republican leaders to defer a vote on the controversial issue of capital gains until later this month, a stripped-down \$14bn (£9bn) deficit reduction bill was approved by the Senate 87 to 7 late on Friday. This will now go to a Senate/House conference to resolve differences with the \$11bn House deficit reduc-

The difference between the two versions — yesterday described by Mr Richard Dar-man, the budget director, as "nine pounds of paper apart" — may take a few weeks to sort out.

Senator Lloyd Bentsen, the Democratic chairman of the Senate finance committee, said

THE BRAZILIAN congress has moved to impose new restraints on a future president's freedom of action in any

forthcoming negotiation on the coun-

try's \$112bn foreign debt, Ivo Dawnay reports from Rio de Janeiro.
Party leaders have voted through measures, theoretically binding on the executive, that include a move to

restrict interest payments to a ceiling of

across-the-board cnts, known as sequestration, would be soft-ened and taken back in three to four weeks.

Mr Darman said sequestra-tion might be "the best avail-able alternative. It would be good if people had to live with it and we don't restore the

Democratic leaders have now broadly backed proposals to reform the present Gramm-Rudman deficit reduction law put forward by Republican Senator Phil Gramm. He has urged a bar on accounting devices to shift spending and revenue between years so as to ease the immediate daficit reduction task and a separation of the surplus on social security (to pay future pensions) from the deficit calcula-

tions.
Mr Gramm has proposed that this should happen after fiscal 1993, when the overall budget is supposed to be bal-anced. The overall target

that the rd cuts, known in would be soft in back in three said sequestra—"the best available little would be half to live with it restors the sequestra balanced budget would not live with balanced budget would not live with balanced budget would not liscal lists plan was yesterday backed by Mr Darman, though the Damocratic varsion involves an earlier separation and a deferment of the balanced budget would not liscal lists plan was yesterday backed by Mr Darman, though the balanced budget would not lists plan was yesterday backed by Mr Darman, though the balanced budget would not lists plan was yesterday backed by Mr Darman, though the balanced budget would not lists plan was yesterday backed by Mr Darman, though the balanced budget would not lists plan was yesterday backed by Mr Darman, though the balanced budget would not lists plan was yesterday backed by Mr Darman, though the balanced budget would not lists plan was yesterday backed by Mr Darman, though the balanced budget would not lists plan was yesterday backed by Mr Darman, though the balanced budget would not lists plan was yesterday backed by Mr Darman, though the balanced budget would not lists plan was yesterday backed by Mr Darman, though the balanced budget would not list plan was yesterday backed by Mr Darman, though the balanced budget would not list plan was yesterday backed by Mr Darman, though the balanced budget would not list plan was yesterday backed by Mr Darman, though the balanced budget would not list plan was yesterday backed by Mr Darman, though the balanced budget would not list plan was yesterday backed by Mr Darman, though the balanced budget would not list plan was yesterday backed by Mr Darman, though the balanced budget would not list plan was yesterday backed by Mr Darman was yesterday by Mr Da

author, Senator Warren Rud-man, have conceded weak-nesses in their law but have argued that spending and the federal deficit would be much higher without their targets. Similarly My Law Penato Similarly, Mr Leon Panetta,

Similarly, Mr Leon Panetta, the Democratic chairman of the House budget committee, has said that changes in budget procedures did not remove the need for stronger leadership to reduce the deficit.

He said the political problems arose because neither the president nor the Congress had yet been willing in not every yet been willing to put every-thing on the table and that meant cuts in defence spending and entitlements (mainly social security and other wel-fare programmee) and

Brazilian congress limits presidential powers on debt

### Five NZ directors to face charges

By Terry Hall in Weilington

FIVE of New Zealand's best-known directors are to face charges under the Securities and Companies Acts, in the first prosecution of individuals resulting from the October 1987 share market

Mr Neville Harris, registrar of companies, said yesterday charges had been laid against Rada and Prorada, since renamed Navis Star Group, and seven individuals over the Prorada prospectus. The charges are being laid under Section 58 of the Securities Act, which makes it an offence to sign a prospectus that includes an untrue statement.

Also charged are Mr Bob Gunn, its chairman at the time, Mr George Wheeler, managing director, Mr Warren Hunt, Mr John Hunn, and Mr Ian Arkle, Rada investments Similar charges have been laid under Section 62 of the Companies Act, which prohibits a company from giving financial assistance in connec-

tion with a subscription for shares in itself. It is alleged

that the registered prospectus contained a statement misleading because it omitted certain information. The charges have been laid against Prorada, Mr Gunn, Mr Wheeler, Mr Arkle

Gunn, Mr Wheeler, Mr Arkie and Mr Stephen O'Donohue, company secretary.

"It is alleged that Rada Investments, a subsidiary of Rada Corporation, which was to subscribe for shares to the value of NZ\$50m (£18.6m), payable in full on November 6 1986, neither held in cash nor had made any firm arrange-ment to obtain the \$50m referred to in the prospectus," Mr Harris said.

Under the Companies Act charge, it is alleged that on the day Rada Investments was to make its payment of \$50m for 190m shares, Prorada gave Rada Investments financial

Rada was set up by NZ For-est Products. It suffered one of the share market's more spectacular collapses, reporting a NZ\$489m loss for the year to March 1988. It is involved in litigation with the Bank of New Zealand over two sums.

market-based interest rates for servic-ing debts, and demand the Government takes legal steps for repayment of all interest paid over and above that apply-ing when each loan was incurred. Other

moves include rejection of New York as

a venue for discussing debt issues and a refusal to accept penalty clauses for

Analysts say the Congress move is

most important as an indicator of the legislature's determination to wrestle

non-payment in any new accord.

#### Lubbers prepares plan for new accord

By David Brown in Amsterdam

Holland's Christian-Democrat Prime Minister, is expected to table a draft policy accord today which may smooth the way for a new centre-left gov-ernment in the Retherlands, possibly before the end of this

If the draft is accepted by both parties, Mr Lubbers will move an important step closer towards a third term in office He is expected to preside over a period of more relaxed fiscal a period of more relaxed fiscal austerity than that which characterised his earlier seven-year reign at the head of a centre-right coalition which collapsed last may.

It also heralds a return from the political wilderness for the Labour Party, which has been on the opposition henches for nearly 12 years and is auxious for some exercise in power.

fur some exercise in power. The premier was given a green light to draft an accord over the weekend, after a negotiating party with Labour broke up in the early hours of

stoke up in the early hours of Saturday morning.

Mr Wim Kok, leader of the newly pragmatic socialists, indicated that although certain obstacles to a final agreement remain, the two parties are close enough on the key points of principle to justify the decision to move forward. the decision to move forward.

Details of the agreement will emerge today, but its broad outlines are clear. A face-saving formula has been arrived at under which a Christian Democrat-inspired plan to sharply cut income-taxes, previously opposed by Labour, will be made to

appear more consistent with socialist principles.

The ambitious National Environment Plan to clean up pollution, which led to the col-lapse of the previous govern-ment, will move forward, at slightly higher funding levels. Somewhat more recources will be devoted to social welfare

programmes.

The policy agreement will likely be subject to farther fine tuning later this week. Barring unexpected difficulties, a formal government prome will then be presented to the Queen.

# Paris denies plan to finance state-owned. foreign acquisitions

REPORTS that the French troubled company Ferranti Government has approved a Ffr40bi (\$6.17bn) plan to finance foreign acquisitions by state-owned industries, have been categorically denied by the French Industry Ministry. the French Industry Ministry.

A senior Industry Ministry official said yesterday that no such plan had been adopted by the ministry, let alone by the Government as a whole.

There is no doubt, however, that the ministry is genuinely concerned that France's state-owned industrial companies may be at a sarlors disadvan-

may be at a serious disadvan-tage in the current wave of industrial mergers and take-overs, compared with their German and American competitors in the private sector.

Moreover, it is known that
the industry Ministry has been
considering various long-term
schemes for injecting large
amounts of new finance into

amounts of new finance into the state-owned companies, so as to strengthen their balance sheets. So far, it appears that the scale of these schemes has come up against the opposition of the Finance Ministry, whose top priority is the control of inflation and a steady reduction in the budget deficit.

A number of French state-owned concerns have been heavy participants in the international takeover field, most recently when Thomson, the recently when Thomson, the defence and consumer elec-tronic group, announced that it was considering a joint bid with British Aerospace for the

ratios of more than 100 per This year the government is injecting FFr4bn of new capital into French state owned com-panies, and next year's budget contains an even larger provi-sion of FFr4.7bn, which will mainly be concentrated on companies in the electronics sector, such as Thomson and

International Signal

But the industry Minister Mr.

Roger Faurous is reported to

be worried that the current international wave of indus-

trial restructuring will either leave French state owned con-

ceres at a disadvantage, or sad-die them with a damaging bin-den of debt. As it is, many

French state-owned companies have unfavourable debt-equity

ens Eas

But the ministry has apparently been considering various strategies for a much bigger long-term holstering of the balance sheets of the French state-owned industrial sector. One such strategy would be for a multi-annual capital endow-ment scheme; this appears to be the origin of the report which circulated at the end of last week. It is understood to have been turned down by the Finance Ministry, Another strategy would be for the state to raise sovereign debt at advantageous rates, and pass on the proceeds directly to the state-owned companies.

#### Tax men seize \$1bn in raids

Israeli troops and tax collectors have seized goods worth \$1m from Palestinians refusing to pay taxes in the besieged West Bank town of Beit Sahour, an informed Israeli source said, Renter reports from Jerusa-

Other security sources said the Israeli general in charge of the occupied West Bank had told his staff not to talk about the tax raids. Domestic appli-ances, furniture, cars, machin-ery and merchandise have been seized from dozens of Palbeen seized from dozens of Palestinians boycotting taxes in protest at occupation.

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#### 6 per cent a year. While the conditions could probably be by-passed by the new president coming to power next year, they could the right to sanction or veto future accords from the new president. They reject the application of floating Today, the country enters the final Argentina announces details of letter of intent for IMF

ARGENTINA'S Peronist government per cent for 1990. Failure to achieve has announced the details of a new letter of intent which it hopes to sign with the International Monetary Fund (IMF) before the end of October, thereby gaining a fresh IMF stand-by loan of \$1.40n, Gary Mead writes from

Baenos Aires. The terms set forth a series of targets which require considerable efforts by President Carlos Menem's government, including a slashing of the fiscal deficit from its present level of 16 per cent of gross domestic product (GDP) to 1.25

agreed deficit adjustments was the main factor in the collapse of Argentina's last IMF stand-by agreement.
Cutting the fiscal deficit will prove
the most difficult task for the Menem government, which is already begin-ning to find it less easy to sell off state industries into private ownership than it first imagined. The 31-article document undertakes to "advance" planned privatisations of the state-owned rail-ways, airline, telecommunications, ship-ping and other companies.

equally easily be used as an excuse for a tougher negotiating stance when talks on debt resume.

Brazil suspended interest payments on \$60bn of medium and long-term com-mercial bank debt in September. It

claimed that servicing could not recommence until "new money" was forthcoming from creditors, or foreign

exchange reserves had recovered ade-

quately to safeguard the country from

the consequences of an inflationary

Besides reducing state spending, the letter of intent promises to increase GDP by 5 per cent next year (from a GDP by 5 per cent next year (from a negative growth this year estimated at 5 per cent); to reduce monthly inflation to 2 per cent by December, and annual inflation to no more than 15 per cent next year; and to hold exchange rate and public sector tariffs at the current rates until March 1990.

The letter also recognizes to introduce.

month of campaigning before the first round of the two-stage presidential elec-tion on November 15 — the first free

poll for the office in 29 years. The elec-tion will be concluded in a run-off between the two highest-placed candi-

dates on December 17.

The resolutions agreed on Thursday are certain to be viewed as highly unre-

alistic by Brazil's foreign bank credi-

tors. They break long-standing under-standings in force since the debt crisis

The letter also promises to introduce tax reforms, which include generalising value added tax to all goods and services, and raising it to 15 per cent.

Argentina's foreign debt stands at \$60bn (£38bn). The government esti-mates that the interest arrears, as mates that the interest arrears, as much as \$5 n by the end of 1989, are around 8.5 per cent of GDP. It calls for a programme of debt reduction, in order to achieve "satisfactory economic growth in the medium and long term".

The letter is widely regarded within Argentina as perhaps its last opportunity to convince both the IMF and other international lendity aggregies of the international lending agencies of the country's serious intent to reform its flagging economy.



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# on urgent visits to East Europe

By George Graham in Esclimont, France

FOREIGN ministers of the European Community have agreed on an urgent high-level visit to Poland and Hungary to follow up EC initiatives to their programmes of economic and political reform.

Mr Jacques Delors, the president of the European Commission, is expected to travel with Mr Roland Dumas, the French Foreign Minister and current chairman of the EC Council of Ministers, to Warsaw and Budapest in the next few weeks - probably towards the end of November.

At the same time, the EC has launched a discussion on possible new bases for a formal rela-tionship with the countries of eastern Europe, in the light of the political upheaval in the Eastern bloc.

The discussions over the weekend at the mosted castle of Esclimont, near Chartres, however, appear not to have resolved differences between the EC partners over the atti-tudes to adopt to the changes now taking place in eastern

Mr Hans-Dietrich Genscher, the West German Foreign Minister, outlined his view that the existing institutional structures for ties between eastern and western Europe - such as diplomatic relations and trade links - were now exhausted. He called for new models of association falling short of actual membership for east bloc countries of the European Mr Genscher's ideas do not

A BIG demonstration for political reform is set to take place today in Leipzig, increasing pressure on Mr Erich Honecker, the East German leader, to resign, writes Leslie Colitt in Berlin. • East Berlin television acknowledged that nearly 1,200 East Germans who had sought refuge at the West German embassy in Warsaw would be issued exit papers for the West.

appear to have been received with much enthusiasm by his colleagues. Mr Delors, however, said that events in east-ern Europe "demand an accal-eration of the process of construction of the Community", or at least a reaffirma-tion of the EC's determination to act together on this ques-

he had launched in January on ways of deepening the EC's links with countries in the European Free Trade Association could provide a basis for discussions with the Eastern

The ministers also agreed informally to launch two new initiatives in the Middle East. These would involve an effort to revive the mission of the "troika" of EC countries aimed at supporting the five-point plan of Mr James Baker, the US Secretary of State, for re-opening Arab-Israeli dialogue; and a decision to make a joint EC statement on Lebanon.

#### **WORLD ECONOMIC INDICATORS**

•		٠.	RETAIL	PRICES	(1985=	100)	
-	_						

	Sept '89	Aug '89	Juty '89	Sept '88	previous year
Japan	108.0	105.0	105.3.	102.9	+3.0
Netherlands -	.102.0	101.5	101.2	100.7	+1.3
W Germany	104.5	104.2	104.3	101.3	+3.1
UK	123.3	122.4	122_1	114.6	+7.6
Belglum	108.4	107.8	107.5	104.7	+3.5
	Aug '89	July '89	June '99 `	Aug '88	% change over previous year

Source: (except US) Eurosta

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42970621 **FINANCIAL TIMES** 

# EC ministers agree | Grey-haired Sisulu goes home to continue the fight

Freed black leaders will be seeking a way to work with a new breed of activist, reports Patti Waldmeir

HE white lounge suite had been shampooed. the crates of vegetables delivered. And the goat was tethered behind the house, looking philosophical about his

At the modest home of Mrs Albertina Sisulu at Orlando Albertma Sisulu at Orlando West, a suburb of the shapeless black township of Soweto outside Johannesburg, everything was ready for the biggest feast in Sisuln family history. All that was missing was Mr Walter Sisulu, the bushand, grandfather, and father who had not father, and father who had not been home for 26 years.

At 5.25 yesterday morning, the South African police finally delivered the grizzled and bespectacled 77-year-old to the wife who raised eight children without him, and to the many grandelidism, who have been grandchildren who have been born during his quarter-century in prison.

"It's good to be home," Mr Sisulu told the groggy press corps, rewarded for their allnight vigil. "Let me see my wife."

But judging from the scores of anti-apartheid leaders and friends who packed the tiny rooms of the family's threebedroomed bungalow, Mr Sis-ulu cannot have had much time for a tête-ê-tête with Albertina, a formidable national leader in her own

Between congratulatory

development capital.



phone calls from Moscow and other foreign capitals - the Soviets were first to convey their best wishes - Mr Sisulu received members of his extended family, widely viewed as the first family of antiapartheid politics in South

The list of visitors to the house looked at times like a who's who of black politics in South Africa, with visits from many prominent national leaders who were children when Mr. Signly was incorrected. Mr Sisuln was incarcerated. Among them were Mr Cyril Ramaphosa, the country's most

With a name like ours that's hardly surprising.

investments were being made in MBO's.

management and employee buy-outs.

powerful trade unionist, and Mr Murphy Morobe, a leading figure in the banned United lic reaction to the releases was muted, with only small groups of activists gathering to mark Democratic Front. In the days to come, they will no doubt prove valuable lieutenants to Mr Sisulu and the other released leaders.

In other parts of the smog-filled township, the police made similar dawn deliveries to the homes of Mrs June Mlangeni and Mrs Caroline Motsoaledi, where the neighbourhood wel-coming committees were clearly well prepared for the return of Mr Andrew Mlangeni and Mr Elias Motsoaledi. Little girls in party dresses

wore bows in their hair, in the colours of the banned African Netional Congress, while the ANC's black, green and gold flag hung above the freed prisoners' front doors. Every blank bit of wall, every electricity junction box carried welcoming messages or slogans in sup-port of "MK" - Umkhonto we Sizwe, the military wing of the

Both men were jailed for life because of the senior roles they played in MK; yet the wall ontside the Mlangeni house carried a sketch of an AK-47 rifle, freshly done in glistening black paint, and songs in praise of MK were sung by bands of supporters ontside each of the released prisoners'

In the streets of Soweto, pub-

the homecomings. For the most part, the released men were allowed to savour their

But when they did appear, their conservative suits and grey heads made a sharp contrast to the liberation tee-shirts and jeans of the young activ-ists who shepherded them from place to place.

For the "comrades" — the

township activists, many of them teenagers, who run the political life of Soweto - were very much in evidence yesterday. They kept spectators away from the homes of the released men - one of them held a quirt, a whip whose use by the riot police was recently

banned - and appeared to be giving the former prisoners orders on what they were allowed to say to the

Bridging the gap between the two generations of libera-tion politics represented in Soweto yesterday - between the African nationalist tradition of men like Mr Sisulu and the newer, more radical and less tolerant politics of the comrades - could prove a for-midable task.

Over the next few weeks and months, the released leaders will no doubt be seeing how best to integrate the two tradi-

What is clear is that they will do it under the banner of the ANC. For over the past few weeks, the ANC flag has been

exist internally for the first time in many years.
"Viva ANC" was the cry throughout Soweto yesterday. And on Saturdey in Cepe Town, the South African flag was pulled down from outside

the Parliament building, and an ANC flag flown in its place. The "liberation" that ANC activists speak of will still be a long time coming. But yester-day's releases can hardly help

but quicken the political

flown ever more publicly and

its slogans proclaimed more

And with seven of the most

senior members of the organi-

sation now free to go about the business of liberation politics, a leadership structure for the

organisation can be said to

#### Angolan peace talks held in France

EFFORTS to revive the Angolan peace process, which collapsed soon after last June's ceasefire, were under way et the weekend as all parties to the conflict gathered in the southern French chateau of Zaire's President Mobutu Sese Seko, Our Foreign Staff writes.

The talks will be attended by Mr Pik Botha, the South African Foreign Minister, Mr Herman Cohen, Washington's Assistant Secretary of State for Africa, and Mr Jonas Savimbi, the head of the Unita guerrilla movement in

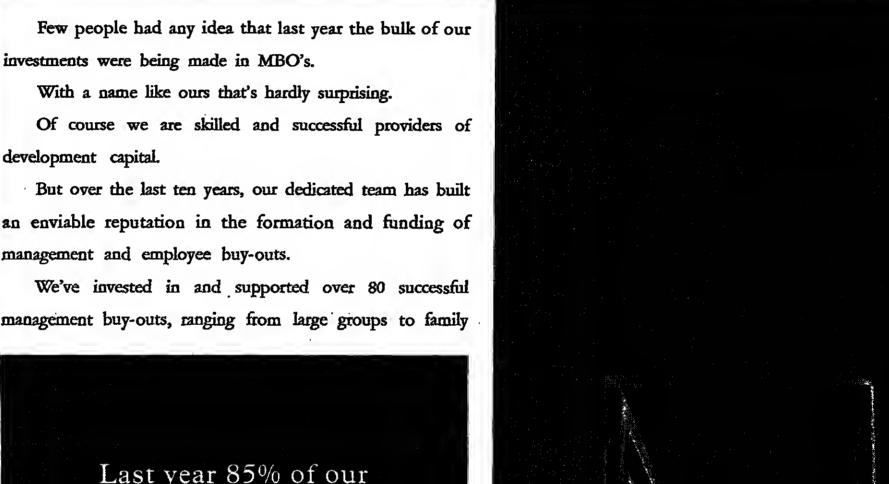
Mr Pedro de Castro van Dunem, Angola's Foreign Minister, discussed the civil war with

President Mobutu on Friday and is said to be in Monaco waiting to be called into today's

After a meeting last week with Mr John Major, the British Foreign Secretary, Mr Sav-imbi hinted at the possibility of a new ceasefire

by the end of October,

A central problem in the negotiations is believed to be Unita'e refusal to accept the interpretation of the peace agreement that has been advanced by Mr Kenneth Kaunda, the Zambian President, under which Mr Savimbi would have to go, at least temporarily, into



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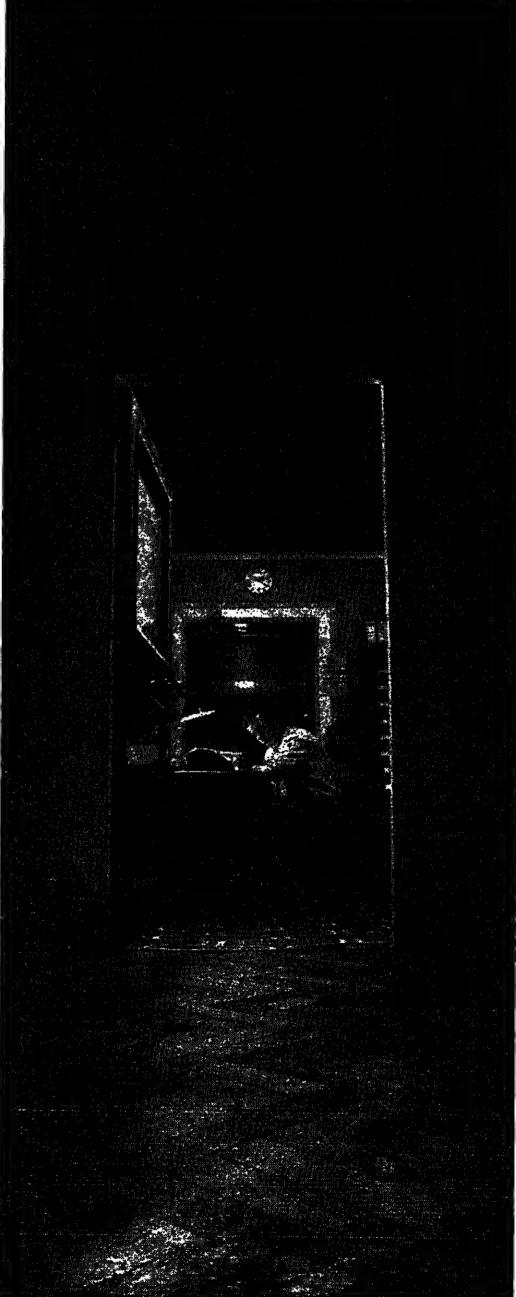
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# Israelis unable to make big inroads on inflation

By Hugh Carnegy in Jerusalem

THE uphill battle Israel faces in getting the annual rate of inflation down to single figures was starkly illustrated yesterday by figures showing that the consumer price index rose by 15.8 per cent in the first nine months of the year.

It compared with 11.3 per cent in the same period for 1988. The rate for the year as a whole is now set to exceed 20 per cent, a marked deterioration over last year when the index rose 16.4 per cent. However. Mr Shimon Peres, the Finance Minister, expressed satisfaction that the rate of increase had declined in each of the past three months.

After initial spectacular successes against three-digit infla-tion achieved through a tough economic recovery programme introduced in 1985, the Government has found reducing the annual rate of increase much below 20 per cent a frustrating and vain struggle.

Officials have been particularly dismayed et the persis-tence of inflation over the past 18 months when the economy has been golog through a cally linking wages and prices marked slowdown, with to inflation have not been demand and investment broken.

depressed. Now the Govern-ment faces the dilemma of how to continue to fight inflation while tackling high unemploy-

One immediate explanation of this year'e increases lies in two sharp devaluations - in January and June - of the shekel, which had been fixed sheeter, which had been liked throughout last year but was moved to spur exports. Also, in line with its policy of gradually loosing state controls in the

loosing state controls in the economy, the Government has lifted price supervision on a number of basic goods.

Some non-controlled items such as clothing and footware have moved down in price in response to the downturn in demand but other sectors, ecocially housing have seen especially housing, have seen surges in prices. The 1.6 per cent increase in the index in September was fuelled largely by a 4.5 per cent jump in rents.

Israeli economists point to what they call an indexation mentality as a chief culprit for the persistence of inflation. Habits made during the era of very high inflation of automati-

# PLO hardens line on Israeli talks

UK minister in bid to patch up relations with Iraq

pany withdrew from a advanced composites plant in Belfast, apparently under pressure from the UK Government con-

By Tony Walker in Cairo

PALESTINIAN leaders appear to have hardened conditions for a dialogue with Israel on the eve of an important meet-ing in Baghdad at which falter-ing Middle East peace efforts will be reviewed.

Mr Mahmoud Abbas, a member of the Palestine Liberation Organisation's Executive Committee, outlined the PLO's conditions for endorsing steps towards peace at meetings in Cairo over the weekend with Egyptian officials. The PLO is demanding:

that it should nominate its representatives to any dialogue with Israel,
that the US should engage it more directly in its attempts to promote discussions. ☐ that a preliminary dialogue should deal with all issues. ☐ and that such a process be a step towards convening an international conference of five permanent members of the

MR John Wakeham, the UK Secretary of

State for Energy, today ends a three-day visit to Iraq which appears to have turned into a British Government exercise to

UN Security Council.
The PLO's insistence on a more clearly defined role for itself in preliminary discus-sions on Israeli-proposed lim-ited autonomy elections in the territories reflects a toughening of attitudes inside the guerrilla organisation following Israel's rejection two weeks ago of an Egyptian 10-point ini-tiative aimed at facilitating a dialogue.
The PLO's options in light of

Israel's apparent unwillingness to agree to talks with representative Palestinians will be dis-cussed over the next few days by the 108-member "mini-par-liament", the Palestine Central Council. Mr Nabil Shaath, a close adviser to Mr Yassir Arafat, chairman of the PLO, said in Cairo that patience among Palestinian leaders with the US role was wearing thin. He said a five-point plan advanced by Mr James Baker, the US Secre-tary of State, to rescoe the flag-

ging peace process was not regarded as a serious initiative. There is a lot of apprehension in the PLO that the Americans are suggesting proposals that they know Israel will reject," he said. Mr Shaath said there was as yet no sign that Washington was willing to

Washington was willing to exert sufficient pressure on Israel to advance peace efforts.

Meanwhile, it was reported over the weekend that Mr Baker had telephoned both Mr Moshe Arens and Dr Esmat Abdel Meguid, the Israeli and Egyptian Foreign Ministers to discuss latest developments. discuss latest developments. Since Israel's rejection of the Egyptian initiative, Mr Baker has become more directly involved in efforts to rescue the peace process. Preparations were well

advanced at the weekend for the expected visit to Egypt today of Mr Muammar Gadaffi, today of Mr Muammar Gadaffi, the idiosyncratic Libyan leader. Mr Gadaffi will spend about 24 hours in Egypt. He will hold talks with President Hosni Mubarak near the Mediterranean resort town of Mersa Matruh. Mr Mubarak is then expected to cross the Lib-yan border with Mr Gadaffi for further discussions tomorrow. Mr Yitzhak Shamir, the

Israeli Prime Minister, yesterday questioned the need to hold proposed Israeli Palestinian talks on elections in the occupied territories in Cairo, Hugh Carnegy writes from Jerusalem. Mr Shamir suggested in a newspaper interview the talks should be interview the talks should be held in Israel because, as he put it, "both sides are here". This was a reference to his refusal to accept any role in the talks for the PLO or any Palestinians from outside the

West Bank and Gaza Strip. Meanwhile, the underground leadership of the Palestinian nprising in the territories rejected Mr Baker'e proposals.

# Gandhi rejects early poll after defeat by MPs

Prime Minister, scotched rumours over the weekend of an early general election in the wake of his Government's defeat in the Upper House of Parliament over an amend-ment to the constitution. The amendment was needed

to give effect to what the ruling Congress party saw as elec-torally popular legislation pro-viding for greater decentralisation to a new tier of government at village and district level. It is the first time since 1952 that a government seeking to amend the constitu-tion has failed to get the required two-thirds majority in

required two-thirds majority in the Upper House.

Though Mr Gandhi was defeated by only a few votes the reversal reflects his weakening personal prestige. The main purpose of the brief session of Parliament that began on Wednesday – the last before the general election – had been to pass the amendmant. Mr Gandhi had been counting on the patronage and pressures normally open to government to win open to government to win over the three or four members needed to carry the measure. The Government's defeat late on Friday night prompted reports that Mr Gandhi would

MR Rajiv Gandhi, the Indian ment and seek an election on the issue of obstruction by the Upper House to the decentralisation measure. But Mr Gandhi told a meet-

ing of his parliamentary party that he had "no intention of dissolving the Lok Sahha (par-liament) just now and had not even thought about it". Accounts of those at the meeting suggest that Mr Gandhi could be thinking of putting off the election until January or the election until January of February instead of the end of this year as has widely been expected – though there is a debate on the constitutional propriety of doing this.

The defeat over the legisla-tion came at the end of a bad week for Mr Gandhi as further damaging suggestions emerged

damaging suggestions emerged of his Government's involvement in covering-up commissions paid by Rofors, the Swed-ish arms group, to win a \$1.2bn artillery contract.

Though the details are probably too technical to be absorbed by most Indian electors, the cumulative impact of the disclosures is to tarnish further Mr Gandhl's adminis-tration with the suspicion of corruption. Almost worst for Mr Gandhi is that the fresh evidence is undermining his party's confidence and morale.

#### improve strained relations with Baghdad, Hunter Reynolds reports from Dubai. Last week, talks on an export credit line were postponed amid concerns about Iraq's £80m repayment arrears on existing loans. cerned about military applications. Mr Wakeham arrived in Baghdad on Saturday to give a key-note speech at a seminar organised by the British Energy Industries Council and the Iraq Oil Ministry. Egypt's plan to bridge straits rouses environmentalists

A PROPOSAL by Egypt to build a \$500m (£320m) bridge ecross the strategic straits of Tiran at the southern entrance

to the Gulf of Agaba seems certain to run into strong opposition from environmenalists and from Israel. Mr Suleiman Metwalli, Egypt's Transport Minister, told a committee of the ruling National Democratic Party this week that studies were continuing into the feasibility of joining the southern Sinai with Saudi Arabia. Mr Metwalli said the bridge would facilitate trade and

tourism between Arab states,

and would bring many bene-

however, that planning is at a very preliminary stage, and that the idea has not been extensively debated within the waters of the southern Sinai include some of the world's most exquisite coral reefs and marine life.

A senior minister said last week that environmental considerations would be weighed very carefully before approval

Egyptian engineers are studying ways to link the Sinal with Tiran island across deep water. A causeway would then join the island with Saudi

Arabia. The distance spanned

would be about 15km.
Israel is certain to be eyeing carefully any proposal to bridge the Straits of Tiran. Nasser's closure of the straits was one factor that sparked off the 1967 Six-Day War. Israel's main port, Ellat, sits at the head of the Gulf of Agaba.

#### Peking party to purge businessmen

Embassy officials insist that Mr Wake-ham's visit planned four months ago had as its sole aim the promotion British com-panies wanting to sell into Iraq. But the British Energy Secretary embarked on a hectic schedule of high-level government-visits which would imply that London has used the visit to improve its strained rela-tions with Iraq.

THE Peking Communist Party committee yesterday voted to purge its ranks of "hostile and

purge its ranks of "nostite and anti-party elements" and wealthy private businessmen, AP writes from Peking. The decision indicated that the crackdown triggered by student protests nearly five months ago is intensifying. The Xinhua official news agency said the Peking party committee, which has led the nation in hard-line rhetoric, approved a resolution to "purify the party organisa-tions" by requiring all mem-bers in the capital to re-register during the coming year. Leading targets of the purge-include private basinessmen. "The resolution stipulated that exploiters cannot be admitted into the party, and those who have already been party members must adhere to the party's ideals," it said.

Private businessmen were commonly described as "exploiters" during the firstrule, but after Deng Xisopin nomic reform a decade ago, they were embraced as partners in China's modernisation. Zhao Ziyang, the former national party General Secre-tary ousted from his leader-ship posts for allegedly sup-porting the student protests, has been allowed to keen his porting the student protests, has been allowed to keep his party membership, but some top officials are believed to be

#### immediately dissolve Parlia-Tanaka to bow out of Japanese political life

By lan Rodger in Tokyo MR Kakuei Tanaka, 71, the

former Japanese Prime Minister who dominated Japan's politics from the early 1970s to the mid-1980s despite being arrested in 1976 for taking a Y500m (£2.2m) bribe from Lockheed Aircraft, yesterday announced he would leave parliament after the next general election.

"I have nothing to regret," he said in a statement made by his son-in-law. Mr Tanaka's retirement is unlikely to have any impact on Japanese politics but recalls one of the most colourful eras

in Japan's generally drab pos-twar political scene. Mr Tanaka became Japan's youngest prime minister at the age of 54 in 1972. A populist by nature, he took endless pains to win and sustain his constituents' favour. He counselled as possible, but more impor-

tant, never to miss a funeral. A self-made construction contractor, he revelled in the pork barrel. He initiated numerous large-scale public works projects throughout the country, but especially in his own Niigata constituency, under an ambitious programme called "Remodeling the Japanese Archipelago". His heyday was shortlived. The press began publishing stories of murky dealings in real estate, and in November 1974 he was forced to step down as prime minister. In June 1976, he was arrested on charges of receiving Y500m in bribes from Lockheed and in October, 1983, the Tokyo District Court sentenced him to four years in prison and assessed a Y500m fine. He is appealing the judg-

Despite his legal difficulties, his political power increased following his resignation as prime minister. Thanks to a large factional following and access to prodigious sums of money from business friends, he became a kingmaker or "generalissimo in the dark", as some called him, within the ruling Liberal Democratic Party. His support was decisive in the selection of at least ters, including Mr Yasubiro sone. Mr Nakasone's first Cabinet was known jokingly as the Tanakasone Cabinet.

Mr Tanaka began to lose his extraordinary influence after suffering a stroke in 1985. He has lived in near total seclusion ever since. In 1987, Mr Noboru Takeshita, once a close lieutenant, set up his own faction and attracted most of the members of the Tanaka faction

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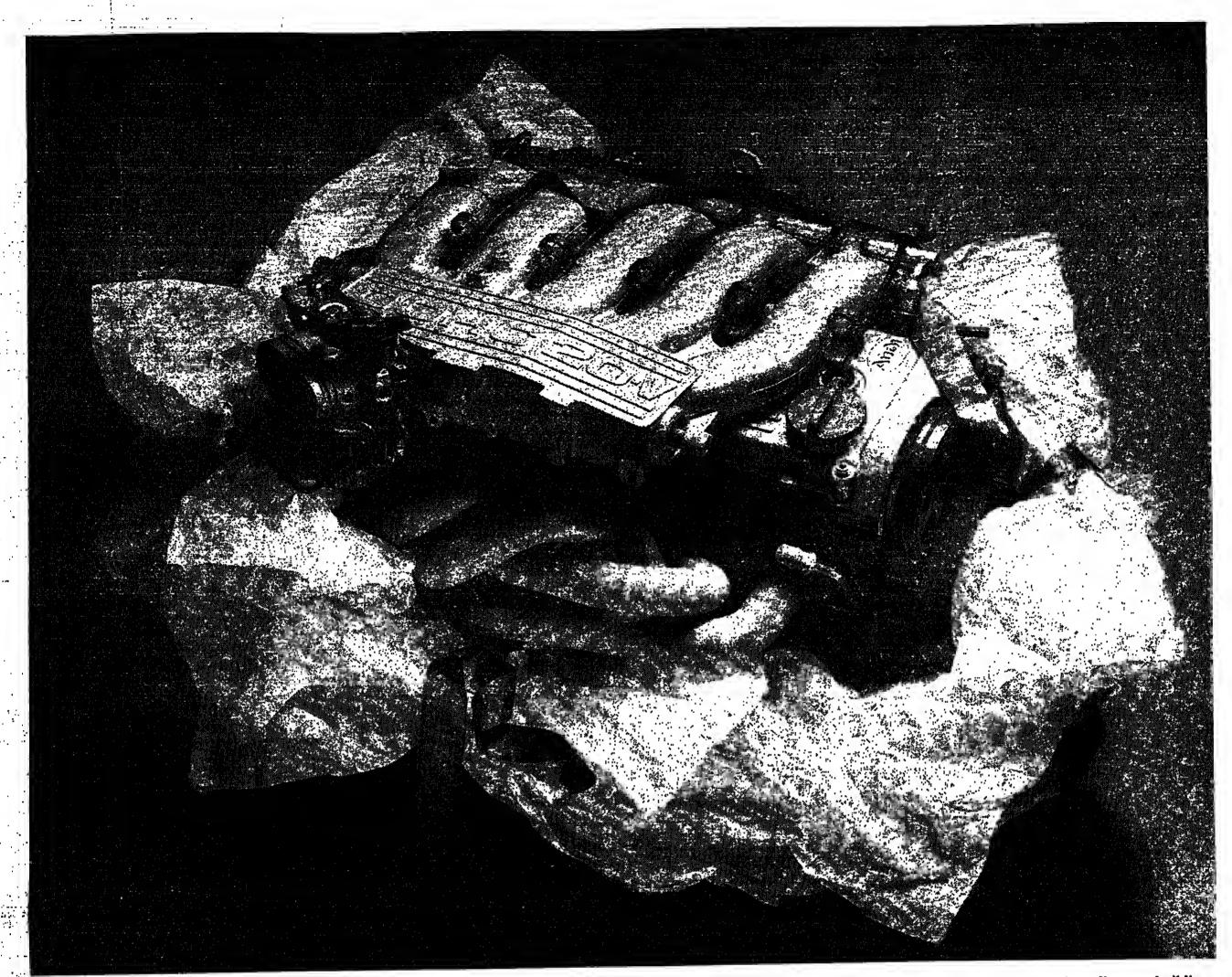
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# Bringing harmony to the Babel of Community accounting languages

Commission efforts have so far failed to deal with the confusion and a unified system is still a long way off, David Waller reports

A language of business.
In an ideal world, all businesses should speak the same language, so that inves-tors, bankers and competitors could look at two sets of accounts from two companies in a similar sector but in different countries, and make uncomplicated comparisons between the two.

Harmonisation of accounting rules would be especially desirable in the European Commu-nity, where trade barriers are supposedly coming down and capital flows from country to country are to be liberalised. But what in fact exists is a confusion of accounting tongues which the efforts of Brussels have so far failed to

The European Commission began its attempt to reconcile accounting rules long ago. The Fourth Directive - cov-

ering basic accounting rules for limited companies — took 15 years to develop and was adopted in 1978. The Seventh Directive — on consolidated accounts - also enjoyed a long period of gestation before being adopted in 1983. Another directive deals with accounting in

CCOUNTING is the language of business.

In an ideal world, all and has influenced standard setting in countries belonging to the European Free Trade Association.

A research document from the Fédération des Experts Comptables - an organisation representing Europe's accounting bodies - is to be released this week and will show that a high level of basic barmonisation has been achieved.

Yet a number of factors have militated against its success. One was e matter of time: all member-states were late in incorporating it into national law, and some have still to do so, namely Italy, Portugal and Spain.

Critics say that the legisla-tion allowed too many options on certain knotty accounting issues and left too much flexi-bility to member-states where there were no options. More-over, it ignored issues such as currency transactions, pen-sions and taxation.

The provisions of the Seventh Directive are radical. For the first time in many memberstates, there will be a legal obligation for companies to present consolidated accounts. he banking industry.

The Fourth Directive did

West Germany, Greece, Laxembourg and the Netherlands have so far introduced the directive into domestic law. The UK is doing so with this year's Companies Bill.

There is a growing feeling among Brussels bureaucrats as well as practising accountants

- that a directive is really the
wrong sort of instrument to bring about proper harmonisa-

Mr Karel Van Hulle, the civil servant at the European Com-mission with responsibility for this area, wrote in a recent article in Accountancy, the journal of the Institute of Char-tered Accountants in England and Wales: "There is still a long way to go before the har-monisation process is com-

"Directives may not be the ideal tool to continue the programme — they take years to develop, while accountancy is constantly changing and evolv-ing. So we need to look at other ways of keeping up with those developments." The forum for this debate is

a conference which the Com-mission is organising for Janumission is organising for January next year. This is to be attended by representatives of governments of the member-states as well as from stanested parties representing investors and other users of accounts. They will be confronted with the reality of a host of different accounting systems within the Commu-

These have managed to retain their distinctive characteristics, as if the directives had never existed. The two extremities of opinion - indicative of deep-rooted cultural differences — are represented by the UK on the one hand and West Germany on the other.

The UK approach — followed broadly by the US, Australia and other parts of the English-speaking world — is praised by its supporters for its flexibility and condemned by critics for and condemned by critics for its laxity. The West German approach is much more diri-giste and legalistic, and is to be found to a lesser degree in many other Continental Euro-

Although UK company law does impinge on accounting requirements - especially in the light of the Companies Act 1981 which incorporates the EC's Fourth Directive - the essence of the UK system is that standards setting is handled by the private sector rather than government. rather than government.

Accounts have to be prepared in line with Statements month. But the UK and Ger-

nean countries.



of Standard Accounting Practice (SSAPs), rules at present drawn by the Accounting Stan-dards Committee which have no legal force. The monitoring is left to the accountancy pro-

The accountant, acting as auditor, must decide whether a set of accounts is "true and fair", not right or wrong. Mis-takes are allowed, so long as they are not "material", ie, big enough to mislead. This is all very judgmental and subjective. The auditor has the power to qualify a company's accounts if they do not meet these criteria. His qualification is deemed a serious reprimand. A certain toughening-up of the regime is envisaged with the imminent introduction of a Financial Reporting Council,

many are still on opposite sides of a philosophical divide. West German accounting bears the strong influence of tax law and regulations. There are no formally codified accounting standards. There is a wide discrepancy between what private and public companies must disclose. Profits can be smoothed by

using undisclosed reserves such as only banks maintain in the UK. Financial reporting must be "true and accurate" This means a degree of rig-our which does not make it easy for accounting to evolve in response to changing busi-ness circumstances.

Rigorous though the requirements are, there is less disclo-sure than in Anglo-Saxon accounting regimes. There are no binding requirements to present funds flow statements, or information on pensions, earnings per share and direc-tors' interests, for example.

Observers say the different systems reflect different eco-nomic circumstances. Many West German companies are privately owned, they argue. Even those that are not will be financed largely by banks rather than via the capital The banks, often with a

make their lending decisions on the basis of inside knowledge of the company's finan-cial situation. Anglo-Saxonstyle accounts are more open because businesses rely more on external investors who are not privy to management

This argument is supported by evidence of Continental European companies willingly moving to greater disclosure as they seek to tap capital markets in New York and London.

Market forces have driven companies such as Nestlé, the

Swiss foods giant, and Scandi-navian Airlines System Group (SAS) to present their figures more in line with Anglo-Saxon standards. A more arcane illustration of

this is the way Soviet busi-nesses have had to adopt Angle-Saxon accounting policies when entering into joint ventures with the West. In the context of the harmonisation programme, prob-lems arise when the Anglo-Saxon approach is imposed on a country steeped Whatever happens in Brus-in the Germanic way of doing sels next January, it would things, and vice versa. In his seem that harmonisation of article in Accountancy. Mr accounts across the Commuvan Hulle reports the case of a mity is still a very long way off.

shereholding in the company French shoe manufacturer and a seat on the board, will which refused to publish its accounts last year because its major competitor, an Italian company, was not as yet bound by the Fourth Directive.

Anecdotal evidence suggests that few finance directors in the EC are abreast of these issues, and even fewer ordinary businessmen. But accountants close to the debate are afraid that next January's con-ference in Brussels could give rise to a set of European accounting standards to sup-plement the Directives, backed with the full legalistic might of

the Commission.
This would give rise to three This would give rise to three tiers of standard: international (as pioneered by the International Accounting Standards Committee, a body with no power but great influence, and committed to the Anglo Saxon approach); national, and European. This is a recipe for confusion and it is inevitable that businessmen — once they realise the threat to their own dialect of the language of business.— will advant the regulators.

Whatever happens in Brus

By Karen Fossii in Oslo

AFTER a month of delicate negotiations, Mr Jan P Syse, Norway's new Conservative Prime Minister, today announces appointments to his

This will be made up of the tripartite centre-right coalition which has formed Norway's new minority government. Mrs Gro Harlem Brundtland on Friday stepped down as prime minister, after presiding over a minority Labour government for nearly 31/4 years. She resigned to avoid a no-confidence motion in the 165-seat legislature following Norway's inconclusive September elec-

As she presided over the most turbulent economic period experienced by Norway since the 1930s, Mrs Brundt-land's tough policies have included a virtual wage freeze, halting runaway private consumption.

Norway's oil-dependent econ-omy was hit in 1986 when world crude prices plunged to their lowest level in over 10 years. Mrs Brundtland's pre-scription has reined in rampant inflation to 4.8 from 10 per

on tacit support from the resurgent right-wing Progress Party, with 22 seats. In contrust, the main socialist bloc has 80 seats. Across the board support has not been guaran-teed by Progress, casting doubt over how long the new govern-

But the cost of her austerity measures has been high. Norrisen to 130,000 (6.4 per cent), its highest level since the depression. The prevailing high jobless rate probably cost

her the election.

The new tripartite coalition, which commands just 62 parliamentary seats, is dependent

will have to be made with Progress, which earlier swung a parliamentary vote to put

Mrs Brundiland in power.
In the new Cabinet, the Centre is expected to get the municipalities and possibly the trade ministerial posts, while the Conservatives are expected to get finance and defence, leaving the Christian People's party with the foreign ministry and oil and energy. But the first true test of the

coalition is that of dealing with the country's national budget proposal, presented by Labour last week, which provides the basis for an alternative tripartite proposal in which no radical changes are expected.

The proposal presents the greatest difficulties for the Conservative Party, which pledged a new economic course pledged a new econom ed on tax relief and moder ate government spending of less than the GDP increase.

# Oslo set to unveil new Cabinet | High-living Liège pays for its spending sins

LIEGE, a Belgian city with a (£12bn), and though Liege is reputation for piety, is on its one of the worst single offend-knees. After decades of high ers, with debts of BF730bn, living, the town council has no money left. Its 5,000 workers have been unpaid since the beginning of the month and are out on the streets throwing rubbish around. A pleasant old town centre has turned smelly, noisy and menacing.

Firemen have been blocking the testing of the control of

the traffic, sirens blaring. The city's 88 police commissioners at last have something to do helping the riot squad keep things under control.

Liege is the first Belgian town threatened with bank-

rupicy since the government transferred power to the regions at the beginning of the year, and its experience must be making every other overspending council distinctly

adgy. Altogether, Belgian cities owe a remarkable BF1750bn

towns such as Ghent and Ant

werp are not far behind. warp are not far behind.

This time, there is no chance that the government — whose deficit at about 7 per cent of GDP is among the highest in Europe — will bail it out. Instead, it is up to the banks and the local Walloon regional council to help, but neither is willing to do so mless Liège agrees to a radical austerity package which would include package which would include laying off 1,000 workers.

This is evidently not popular with the people of Liège, but

outsiders take recent events as a sign that Belgium's regional reforms are working.

"One of the good effects of the devolution of power has been that this kind of thing

een that this kind of thing in be kept a purely Walloon ration.

"Under the old arrange- tough as the Fleenings when it can be kept a purely Walloon

The experience of Liège must be making every other over-spending council distinctly edgy'

ments, the people would have come to Brussels and started breaking everything up here," says Prof Jean Stengers of Brussels University. He argues that as the Walloom region has to helpron its budget it must to balance its budget, it cannot afford to ball out Liege. in the old days, any refersal by the government to help would have turned into a

major political row, with the Walloons accusing the government of being in the pockets of the Flemish:

In May, the Flemish authorities caused a small storm in Limburg by their decision to shut down Belgium's last hig coal mine — a decision which the national government had previously proved incapable of taking. Liège will not be able to start paying its workers until the Credit Communal gives it a bridging loan to make it solvent once again.

make it solvent once again. But the bank has refused to provide any money without the guarantee of the Walloon region, which in turn has insisted on an 18-point austerity package, not dissimilar to IMF demands on a Third World

The town council has reluctantly agreed to all but one the requirement that it fire one

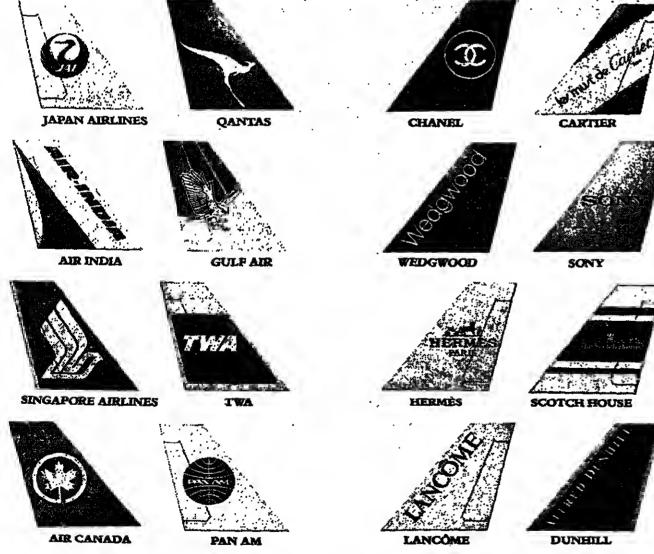
comes to saving money in its town fall into a state of politically unpopular ways.

In May, the Firmish authori.

Mr André Cooks, the Walloon minister in charge of the regions, has no intention of moving. I am not the kind of person who can be black-mailed," he keeps on saying flatly. For him, this is a test case. For the workers of Liege, it is also a test case of the principle of job security for public employees. But it seems only a matter of time before that the principle is also also before. that principle is abandoned.

that principle is abandoned.

Already, 25 members of the town council, including Mr Edward Close, the Socialist mayor, are prepared to accept the programme, while exactly as many oppose it. A filst member who backs the scheme is in Brazil at the moment. An important issue for Liege and for other Belgian towns waits on his return. Until then, the in the end however, it is return. Until then, the going to have to give in or see



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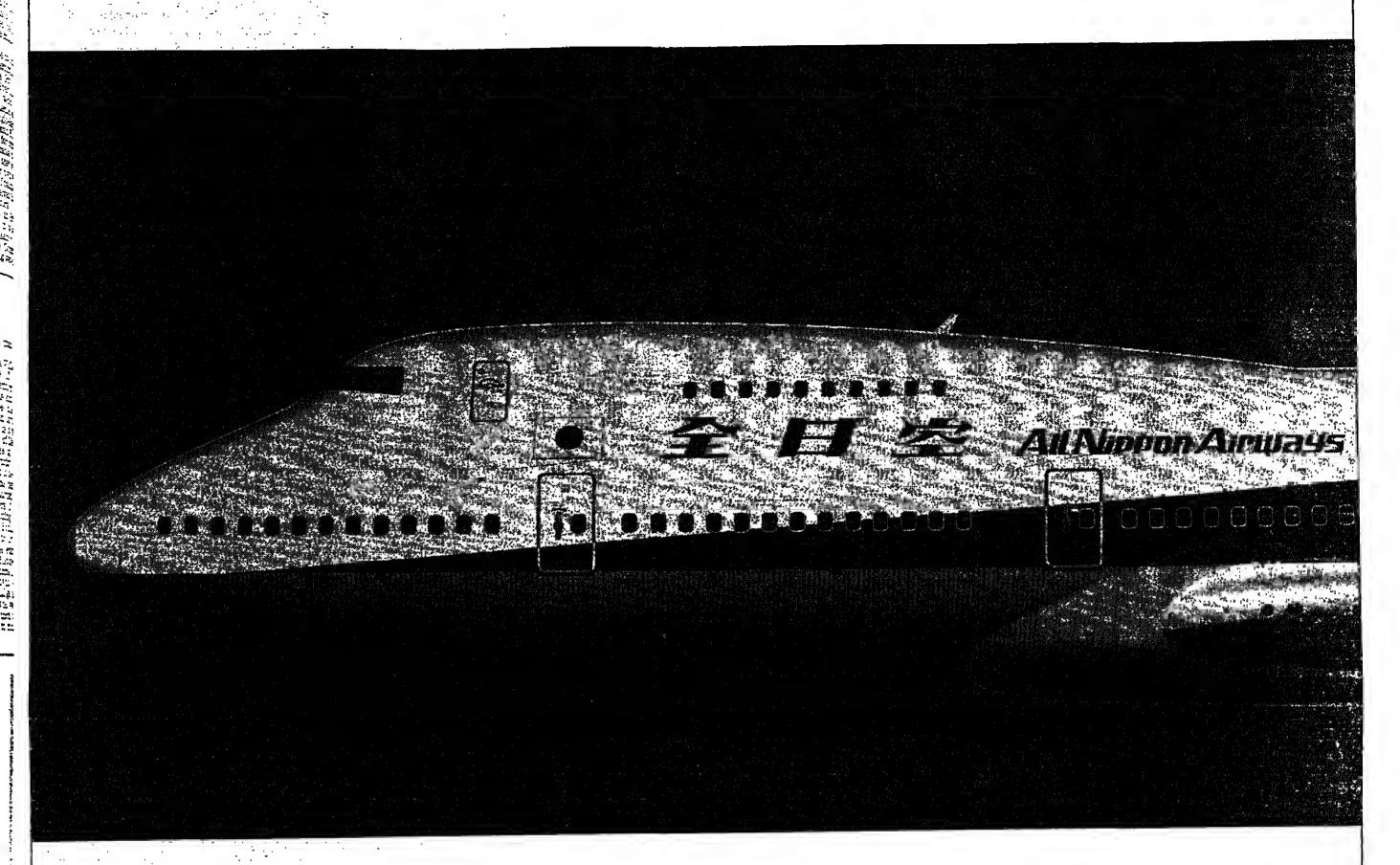
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#### FINANCIAL TIMES CONFERENCES

WORLD BANKING: EUROPE AFTER THE DELORS REPORT London, 30 Novamber & 1 December, 1989

The keynote speaker at this year's World Banking Conference will by Jacques Delors, President of the Commission, who will reviaw developments since the publication of his Report on European Economic and Monetary Union. Peter Lilley, MP, the new Financial Secretary, will discuss the attitude of the British Government and John Smith, Shedow Chencallor of the Exchaquer will give an Opposition viaw. A number of exparts including some anthusiastic for the Delors blueprint, others reserved and other opposed, will epeak on the Report and possible elternstive epproaches. Thay include Samual Britian, Lord Jenkins. Dr Roland Vaubel, Giles Keating and Prolessor Patrick Minford. Alan Clements of ICI will give the view of a leading European corporete finence officer and Stanisles. The keynote speaker at this year's World Banking Conference Patrick Minford. Alan Clements of ICI will give the View of a leading European corporete finence officer and Stanisles Yassukovich who co-cheirs with Lord Roll will address the conference on the impact on London, a subject that also features a contribution by Peter Leslie of Barclays. After the recent Spanish dacision to join the EMS, there will be particular interest in the contribution by Migual Boyer of Cartera Central.

THE FOOD AND DRINK INDUSTRY IN EUROPE

After a long interval the FT sponsored a Food and Drink industry conference some eighteen months ago whose major thrust was mergers, acquisitions and alliances in Europe. This proved to be a most successful event and another has been planned for the and of 1989.

The agenda features papers by Ray Mac Sharry, Brussels Agriculture Commissioner, John Gummer, MP, the new British Minister and industry leaders Including Camillo Pagano of Nestle, Prolessor David Stout of Unilavar, Georga Bull, international Distillers & Vintners, Michael Jordan of PepsiCo Worldwide Foods, Michael Foster, Courage Limited, Anthony Greener, United Distillers pic and Domenico Barili of Parmalat

The changing shape of the European Food and Drink industry will facture on the aganda as it did last year and developments in markets and segments will feature strongly. The problem of safety and standards will also be thoroughly discussed. Riccardo Perissich will comment upon the Commission's design for the Community Internal Market and how it will affect the food and drink industry.

WORLD TELECOMMUNICATIONS London, 4 & 5 December, 1989

Tha FT's annual conference on World Telecommunications will take place at a time when the industry is facing its most dramatic period of changa. The two-day meeting will commence with a major forum reviewing the devaloping pattern of daregulation. Speakers on the European approach to communications will include M. Paul Quiles, French Minister of Posts, Talecommunications & Space, Dr Christian Schwarz-Schilling, Wast Garman Minister of Posts & Telecommunications and Ing Marino Benedetti, Counsellor, Control Financials and Ing Marino Benedetti, Counsellor Societa Finanziaria Talefonica pa. Competition in the US telecommunications market will be reviewed by Mr Alfred Sikas, nawly appointed Chairman of the Federal Communications Commission, and the Japanese experience of daregulation will be given by Mr Eisuke Kusaka, Executive Vice President & Representative Director, Nippon Telegraph & Talenberg Commission. Telephone Corporation.

All anquiries should be addressed to: Air anquires shows be accressed to Financial Times Conference Organisation 126 Jarmyn Street, London SW1Y 4UJ Tel: 01-925 2323 (24-hour answering service) Talex: 27347 FT CONF G Fax: 01-925 2125

#### **UK NEWS**

The new session at Westminster: TV and turmoil

# MP's return to assault Government on economy

By Michael Cassell, Political Correspondent MPS RETURN to Westminster noon leave for tomorrow with the Govern-

ment facing an immediate assault on the credibility of its economic policies and an uphill struggle to boost its public popularity.

The fall in US stock market prices came bours after the

prices came hours after the end of the Conservative party conference in Blackpool, which had helped restore party morale after problems with a range of controversial policies and its recent battering in the

opinion polls.

With the possibility today of further turnoil in the international stock markets adding more uncertainty to the eco-nomic outlook, ministers last night were auxious to adopt a confident mood but were also concerned not to intervene in a highly sensitive situation. Hopes that the pressure for higher interest rates might now subside were counter-bal-anced by rising fears of a reces-

Mrs Margaret Thatcher, the Prime Minister, will this after

Dons threaten

exams boycott

BRITAIN'S ASSOCIATION of University Teachers yesterday threatened to boycott thia

year's university exams and disrupt admissions of new stu-

dents next year, if the Govern-ment fails to release enough cash for a substantial pay rise

The Association's governing

council, meeting in London at the weekend, instructed the

union's leaders to draw up a

programme of industrial action

Union activists believe there

might have to be a re-run of this year's hitter dispute in which dons implemented an

exams boycott. The union is

claiming a 27 per cent increase for 1990-91.

At IMD, management development begins by asking the right questions.

to support its pay claim.

By David Thomas

noon leave for the Commonwealth heads of government meeting in Kuala Lumpur, returning in 10 days time. Before she departs, it is likely that she will see Mr Nigel Law-son, the Chancellor, to discuss government strategy in response to the latest situation.

Her absence means that Sir Geoffrey Howe, the Deputy Prime Minister, will appear tomorrow at the despatch box in the House of Commons to answer questions from Mr Neil Kinnock, the Labour leader. For the first time, television cameras will be operating, although the pictures will not be publicly televised until the State opening of Parliament on November 21.

Mr Lawson will come under attack from Labour for his insistence on high interest rates when he answers Trea-sury questions in the Commons on Thursday. On the same day, he will make his annual Mansion House speech and, in three weeks' time, he is expected to make his autumn statement to MPs.

The opposition plans as early as possible to use its own Commons time to maintain the assault on the government's economic strategy and to expose what it sees as continuing policy differences between

Mrs Thatcher and Mr Lawson. The start of the Commons overspill period, in which MPs will complete the passage of legislation outstanding from the summer, comes before the Treasury has completed departmental negotiations on 1990-91 spending programmes.

With three key departments

- Education, Transport and
Social Security - yet to settle,
a decision is possible this week
on whather the "star chamber" - a circle of close advisers - needs to be established.
If agreement on budgets cannot be reached within the next
few days a special Cabinet few days a special Cabinet committee under the chairmanship of Sir Geoffrey will be

#### Superstore offers jobs to older employees

By Flone Thompson, Labour Staff

B&Q, the do-it-yourself retailer, will open its newest super-centre this Friday with a staff recruited almost entirely from

The recruitment of mature staff is part of the company's programme to deal with the demographic timebomb which threatens to create staff shortages in the 1990s. "By 1993 there will be im

fewer school leavers coming onto the job market than in 1987," said Mr Jim Hodkinson, chief executive of B&Q. "It is to older people and women returning to work that employ-ers will have to turn to fill this

gap."
To attract the 60 new employees needed for the

supercentre in Macclesfiald, cantral England, B&Q arranged two open days earlier this year for older people to come and discuss job opportunities. More than 400 men and women attended each session and 600 people subsequently applied for jobs.

The company developed an off the job training scheme for the 60 staff, specially designed to meet the needs of the

mature recruits.

B&Q believes the over 50s will add a positive dimension to their store teams. They have experience, customers feel con-fident about taking advice from them, and staff turnover is much lower, Mr Hodkinson

#### Sexual inequality in earnings still high

By Flona Thempson

DIFFERENTIALS between men and women in non-manual employment are wider now than at any time since the Equal Pay Act came fully into force in 1975, accord-ing to an Equal Opportunities Commission report out today.

Men receive higher basic hourly earnings than women because of widespread job seg-regation. Women work in dif-ferent and lower paid occupa-tions than men and are concentrated in the lower

grades of payment structures.
The report, Women and Men in Britain 1969, points out that the pay differentials are wider for women in white collar jobs than for manual workers. Full the straight manual workers. time female manual workers earn 72 per cent of the average hourly pay of male manual workers. Femala full-time white collar workers earn only 61 per cent as much as their male counterparts.

For part-timers the situation

is even worse. Female part-timers to manual work earn 64 per cent and famale white collar part-timers just 49 per cent of their male full-time equiva-

An overwhelming picture of inequality in Britain is what emerges from the report's find-ings, according to the EOC. As well as earning less than men, women take on the main responsibility for childcare and looking after elderly depen-dents, they are segregated into traditional jobs and held back by lack of training and child-

care facilities.
Launching the report, Ms
Joanna Foster, chairwoman of the EOC, said: "Despite the urgent national shortage of skills, at a time when international competition is increasingly challenging Britain's ability to perform, these statis-tics illustrate all too power-folly how traditional attitudes and lack of flexibility or willingness to adapt, still hold women back."

Career prospects for girls and boys are affected by the subjects studied and exams taken. Women make up about two fifths of the labour force and their abare is expected to have increased to 44 per cent by the end of the century.

# Retailers face hard times, survey says

By Peter Norman, Economics Correspondent

ompanies in the retail, whole-sale and motor trades found sales growth reported by shops and stores in September was little changed from the first half of this year and well below

that of a year ago.

The survey, which was mainly carried out last month. mainly carried out less mount before the recent increases in bank base rates and mortgage rates, disclosed a slight quick-ening of the annual growth rate of retail sales in Septem-ber compared with the August survey but a substantial drop in motor sales compared with September 1988.

According to Mr Nigel Whittaker, the chairman of the CBI's distributive trades survey panel, the annual rate of sales growth in both August and September was low compared with strong sales growth

a year ago,
The survey reflects "a level of trade in the high streets that can only be described as subdued," Mr Whittaker said. With sales growth already the survey disclosed.

RETAILERS face a grim low, another mortgage rate outlook with the latest increase now means that the increases in mortgage rates outlook for retailers in the cuming months is likely to be tough," he said.

Mr Whittaker said that the last two surveys provided evidence that the slowdown of dence that the slowdown of

last two surveys provided evidence that the slowdown of consumer demand, which is sought by the Government to cut inflationary pressures, is better constituted. being sustained.

Financial markets will be looking for further evidence of the slowdown today when the Government publishes its pro-visional data on retail asies in September Among City analysts the consensus is that retail sales will show a seasonally adjusted 0.3 per cent increase compared with growth of 0.4 per cent in Amunet

The CBUFT survey found that clothing shops reported the best sales increases last month, while retailers of duramonth, while retailers of durable household goods, booksellers and stationers and shops selling household textiles, furniture and carpets all said sales were lower than the year before. After a sharp drup in sales last month, motor traders expect a further sales decline in October and plan to cut back their orders to supplies. back their orders to suppliers,

### Public sector pay policy faces changes

By Michael Smith

PUBLIC SECTOR letermination is likely to undergo permanent changes in at least some services, according to a report by the Public Finance Foundation. The changes include a move towards greater pay flexibility after a decade of relative stag-

"Our conclusions refute any notion that a comprehensive 'attack' or set of 'reforms' occurred during the 1980s," the

anthors say.

The National Health Service and the civil service will bear: most of the early reforms. In the NHS, there could be substantial changes where hospi-tals choose to "opt out" and become largely self-governing

COPPORATIONS.

The civil service changes will follow the recommenda-tions in last year's libs Report to create independently operated executive agencies from government organisations. Jobs in them are expected to

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be allocated to pay bands, based on job evaluation, with pay increases determined by achievement. Selective increases and pay allowances are likely in response to recruitment and retention problems.

The proposals develop the more flexible approach already in the pay structures agreed recently with a range of civil

#### APPOINTMENTS

#### Changes at J.M.Jones

Mr. Ian Richards has been appointed managing director of J.M. FONES newly-formed western division, incorporating Longs of Bath, Longs Electrical, and J.M. Jones & Sons (Johnery). He was group construction director, and is succeeded by Mr John Hogbin, who was contracts director. Mr Martin Evans has been appointed commercial director He joins from Wiltshier DMC where he was project director. Mr Barry Blunt becomes management information systems manager. He was senior assistant director, High

■ Mr Gary Fitzgerald has become an additional director at NEW THROGMORTON TRUST (1983).

Point Rendel Group.

 Joining the board of Simon Automation are: Mr Alan Holder, managing director of SIMON's paper engineering sub-group; Mr Jack Barlow, electrical applications manager at sister company Holder Pamac, who becomes director of process control: and Mr Coitn Willis, sales manager, who is promoted to sales director.

■ Mr Rodney James has joined BT FINANCIAL SERVICES INFORMATION SYSTEMS CORPORATION, a subsidiary of Bankers Trust New York Corporation, as associate director sales and marketing. Europe. He was formerly at Telerate Europe Gulf.

Mr Michael Stephenson has been appointed investor relations manager, Midland Bank. He was an industry group head in Midland



been appointed operations director of the NEWSON GROUP from November 1. Mr Wilf Clarke-Jones will become personnel director.

· Montagu Corporate Banking... Mr Coite H. Paterson has joined STANDARD CHARTERED MERCHANT BANK as an executive director. He was with J. Henry Schroder Wagg & Co.

■ MI GROUP has appointed Mr Bob Edgell as broker division manager, Bristol he was with Abbey Life.

Mr Ian Farnsworth has been promoted to the new post of eneral manager, European usinesses; in NATIONAL WESTMINSTER BANK'S international businesses sector. He was director of European businesses.

■ THE INSTITUTE OF MANAGEMENT SERVICES has appointed Mr Allen Brobyn as director from October 30. He was secretary, Finance Houses Association.

Mr C.M. Winter, group chief executive of The Royal Bank of Scotland Group, has been

#### Marketing man for Ratners

 Mr Simon de Mille, a group account director with Saatchi & Saatchi Advertising, moves on November 1 to the new post of group marketing director with the RATNER GROUP.

elected chairman of THE COMMITTEE OF SCOTTISH CLEARING BANKERS.

Mr David Moss has been appointed investment director of CAVIAPEN INVESTMENTS to advise the Civil Aviation Authority superannuation scheme. He was vice chairman of Barclays de Zoete Wedd Investment Management.

Mr Joe Logan has been appointed to the Scottish board of NORTHERN ROCK BUILDING SOCIETY. He is : ging director of The Scotsman Publications, and on the board of Thomson Regional Newspapers.

RODENSTOCK U.K. has appointed Mr Cliff Fisher as financial director. He was with

■ Mr Tim Jackson has been appointed managing director of HARDCHROME (POOLE), and Mr Tim Kntwistle becomes finance director.

■ Mr Peter Heming Johnson has been promoted to dealing director at HOENIG & CO.

BRUCE LINDSAY BROTHERS, Edinburgh, has appointed Mr Ken Fraser as



Mr Peter Dimeloe (above) has been made marketing director at QUALCAST GARDEN PRODUCTS. He was marketing director at Triton Showers.

chairman following the retirement of Mr Hugh McMichael, Mr Charles Sharp, managing director, is to become group chief executive. Mr Fraser is chairman of Fraser & Partners.

appointed senior assistant manager at THE ROYAL BANK OF SCOTLAND'S franchise and licensing department, Edinburgh

Mr Gus MacMillan has been

 Mr Andrew Thomas has been appointed managing director of the ANGLO INTERNATIONAL GROUP, Isle of Man. He was finance

Mr David T. Jordan has become managing director of John Nugent Construction, Nugent Projects, and Nugent Smallworks, and has joined the board of the parent company, THE NUGENT GROUP. He was a director of the Lesser Group.

 Mr Tom Ekin has been appointed chairman of the LINFIELD GROUP. Formerly vice chairman, he succeeds Mr Peter Larmor who has retired. Mr John Robinson has been appointed managing director of Ulster Weavers, a subsidiary.

ALEXANDERS HOLDINGS has appointed Professor Sir Alan Peacock and Mr Robert Ian Coleman as directors.

#### Barclays precious metals dealer

BARCLAYS global treasury. services has appointed Mr Michael Olliff-Lee as head of precious metals dealing. He was vice president and head of precious metals at Union Bank of Switzerland's London

Executives today face

unrelenting, even accelerating change, pervading all aspects of business life. As the pace of change quickens, old perceptions and traditional approaches lose validity.

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A New School of Thought

# Gould promises curbs on new mortgage lending

By Michael Cassell, Political Correspondent

A LABOUR government would impose controls on new mort-gage lending in order to curb the unprecedented explosion in building society credit and to help drive down inflation, Mr Bryan Gould, Labour's trade and industry spokesman, said

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> yesterday.
>
> Mr Gould, who warned that a stock market fall could, on top of a massive trade deficit, high inflation and high interest rates, push Britain "over the brink into recession," attacked the Chancellor's high interest rate policy. He said Labour would imple-

ment more specific measures to deal with inflation in a way that did not handicap efforts to

huild np the snpply-side strength of industry. Speaking on London Week-end Television, he claimed there was no possibility of British industry escaping recession if interest rates remained at present levels. Labour, he said, would be committed to getting them on to a steadily down-ward path and would rely on other instruments to deal with the short-term problem of excessive demand.

Profit Control

In calling for credit controls, Mr Could acknowledged that 85 per cent of personal credit involved mortgages, where he said unrestrained lending had



Mr Bryan Gould: attacked high interest rate policy

induced a willingness among people to step up borrowing.
He emphasised that existing home buyers would not be home buyers would not be affected by controls, but that stricter conditions governing the provision of new home loans would be introduced. He added: "The element of new borrowing which has stoked up an unacceptable degree of asset inflation should be reined back".

Mr Gould suggested that the repayment periods and the earnings multiples used to cal-culate mortgage advances would be adjusted if borrowing

was rising too quickly. Special conditions would apply to first-time buyers, so as not to

prevent them getting on to the home ownership ladder. With Mr John Smith, Labour's shadow chancellor, today beginning a tour of Euro-pean countries to discuss a range of economic issues with finance ministers and central bankers, Mr Gould said his party was right to explore the conditions on which a Labour government would take Britain into the exchange-rate mechanism of the European Mone-

Mr Neil Kinnock, the Labour leader, has called on the 'gov-ernment to begin immediate talks on entry. Mr Gould, who is known to have deeper reservations than some colleagues about ERM benefits, said it would help in the fight against inflation, hut would provide no guarantee of succes

Labour has set down four points contingent upon entry into the ERM, involving the rate at which Sterling enters, central bank swap arrangements, a co-operative growth

strategy and progress on Euro-pean regional policy.

Party leaders have been anx-ious not to describe the points as preconditions, although that is how they were described.

#### **Ashdown** to announce result of name ballot

By Michael Cassell, Political Correspondent

MEMBERS of the Social and Liberal Democrats are under-stood to have voted decisively in favour of adopting the short title Liberal Democrats for their party. The result of a ballot among

members will be announced today by Mr Paldy Ashdown, the party leader. He hopes it will end the continuing internal controversy over the issue, which is thought to have

which is thought to have proved electorally damaging.
The choice of a popular name for the party has remained largely unresolved since it re-established itself after the split with the Social Democratic Party. Many members have been determined to see the short title incorporate. see the short title incorporate the word Liberal. Mr Ashdown averted a dam-

Mr Ashdown averted a damaging row at last month'o annual conference by keeping the issue off the agenda and promising a full bailot of the party's 88,000 membership.

The party leadership hopes that the decision will mean an end to the continuous confin end to the continuing confu-sion, which led to MPs, elec-tion candidates and rank-endfile members using a range of hybrid titles.

# Sky gets five-year commitment

MR Rupert Murdoch promised yesterday he would keep his

satellite venture, Sky Televi-sion, going for at least five years, even though it is at present losing more than £2m a

week.
Mr Murdoch, chief executive
of News Corporation, made the
pledge in a television interview
on the Channel 4 series

Answering Back.
The series is constructed around interviews with senior businessmen, financiers and politicians, conducted hy Ms Mary Goldring, a former jour-nalist with the magazine The

losses for the first year of the four-channel satellite service, which was launched in Fehru-ary, might reach £120m.

Ms Goldring asked whether his commitment to Sky was open-ended. He replied: "Let's say five years. It's going to take time to do this and to

break through."
Mr Murdoch went on to declare that, after five years, "We'll either have a few million people with dishes, sub-scribing and happy, or we'll have to admit we were wrong".

When he was asked if he would close Sky down if it was still not working out after five years, he replied: "Ob, abso-intely, unless someone else would like to buy it and try again."
Mr Murdoch said that

Mr Murdoch conceded publicly for the first time that through Sky he was trying to build something worthwhile and that he was very proud of the venture, particularly of the news channel.

Nevertheless, he went on to emphasise that his primary enthusiasm was and would

remain newspapers. He insisted that his newspapers were instruments for good and not merely vehicles for making money. He said: "I think our papers

have high moral values, absolutely. And if they don't, they should have."

He predicted a strong revival of religion in the UK, in which

families of people who were now hetter off would be looking for a moral dimension to their lives.

Mr Murdoch said that The

Sun, and hy implication himself, was not Tory but Thatch-

He explained: "Toryism to me, that word is conservatism and privilege and the old



Rupert Murdoch: satellite losses may reach £120m

Thatcherism is change for a new world and opening up opportunity for ordinary peo-ple in this country."

### Competition pledge by European TV federation

By Raymond Snoddy

A NEW federation of European commercial broadcasters including Britain's ITV companies has denied that it plans to compete directly for programme rights with the European Broadcasting Union, which links public-service

Mr Richard Dunn, the ITV association's chairman, said at the weekend that the Association of Commercial Television

in Europe (ACT) did not plan centralised buying of pro-grammes in competition with the EBU. Mr Dunn was speaking in Cannes at the launch of the charter of ACT, which links Europe's five largest com-mercial broadcasting organisa-

The association has come out firmly against European Community quota plans to pro-tect European programme pro-

duction. The association believes programme quotas serve to increase artificially the volume of programme hours produced and repest shows and does not guarantee. the production of quality tele-

Mr Silvio Berlnsconi, the Italian commercial broadcaster and chairman of ACT, claimed that the "quota directive [of the ECI forces us to make prod-

The added values of British Steel. Number two of a series.

uct of low quality." That would happen if US imports, which are cheap because production costs are written off in the large US markets, had to be replaced by European production which was not properly funded. "We want to produce high-quality programmes and conquer the international market and even the American markets," be

# Chancellor advised

STAMP DUTY should be abolished in the next Budget to help to maintain London's

The report, by Mr Nicolas Gibb, points ont that stamp duty brought in only £2.4bn in revenues in 1988 to 1989 — only nent revenue that year.

where rates of tax on the transfer of shares are significantly lower than his littain

The 1 per cent duty imposed on sales of houses costing more than £50,000 increases the cost of moving house and is a factor reducing the level of mobility.

The call to abolish stamp duty is the second Budget sub-mission from the institute this month. Earlier, it advocated legal and tax changes to encourage employee share

believe that Mr Nigel Lawson,

# Hambros venture arm

By Charles Batchelor

capital arm of the Hambros

the total funds it manages from the present level of £31m to between £50m and £75m.

HAMBRO European Ventures
(HEV) the European management buy-out and development groups to join its list of back-

At present, funds have been committed by eight investors including Hambros Group, with £10m, Assicurazioni Generali of Haly, Bilbao Merchant Bank of Spain, Heller Overseas Corporation of the US and First City Financial Corporation of Canada. ration of Canada.

#### Hidden fees 'increase costs for pension funds'

By Barry Riley

HIDDEN FEES continue to be incurred on a large scale by UK pension funds, according to a survey of British pension schemes by the US consultants Greenwich Associates.

estimate that the extra charges, which may be imposed more frequently than many schemes realise, bring

total costs up to the 25-30 basis

more than 90 per cent of scheme officials said that they would prefer a "cleam" charg-ing basis. That would hring typical charges closer to the levels in the US, which average

UK Pension Funds 1989. Greenwich Associates, Office Park Eight, Greenwich, Connec-ticut 06830, US. Tel. 203 629

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WE'RE ADDING VALUE AT BRITISH STEEL.



to end stamp duty

By Peter Norman, Economics Correspondent

attractions as an international financial centre and enhance the mobility of labour in Britain, according to a report from the Adam Smith Insti-tute, the free-market think

1.3 per cent of the £185bn of

government revenue that year.

Mr Gibb says the 0.5 per cent stamp duty levied on share transactions put the London equity market at a competitive disadvantage compared with France and West Germany,

ownership.
Although most economists

the Chancellor, has very little scope to cut taxes next March in spite of a large Budget sur-plus, the institute clearly believes he has plenty of opporfurnity to keep up tax-related reforms on the supply side of the British economy.

Duty to Bepeal, by Nicolas Gibb. Adam Smith Institute, PO Box 316, London SWIP 3DJ. 27.

plans further expansion

banking group, is expanding The Industrial Bank of Japan has become its first Far Eastern investor, with a com-mitment of £5m, while Hambros plans a further increase in

groups to join its list of back-ers and also hopes to obtain further funds from the US.

Although the average fee charged by external portfolio managers is 19 basis points (0.19 per cent) the consultants

6.3 .5.7 4.0 10.0 3.1 10.5 9.3 10.7 2.7 9.3 22.0 9.7 2.9 10.4 4.9 27.6

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Boeing jetliners will carry the equivalent of 12% of the world's

population this year.
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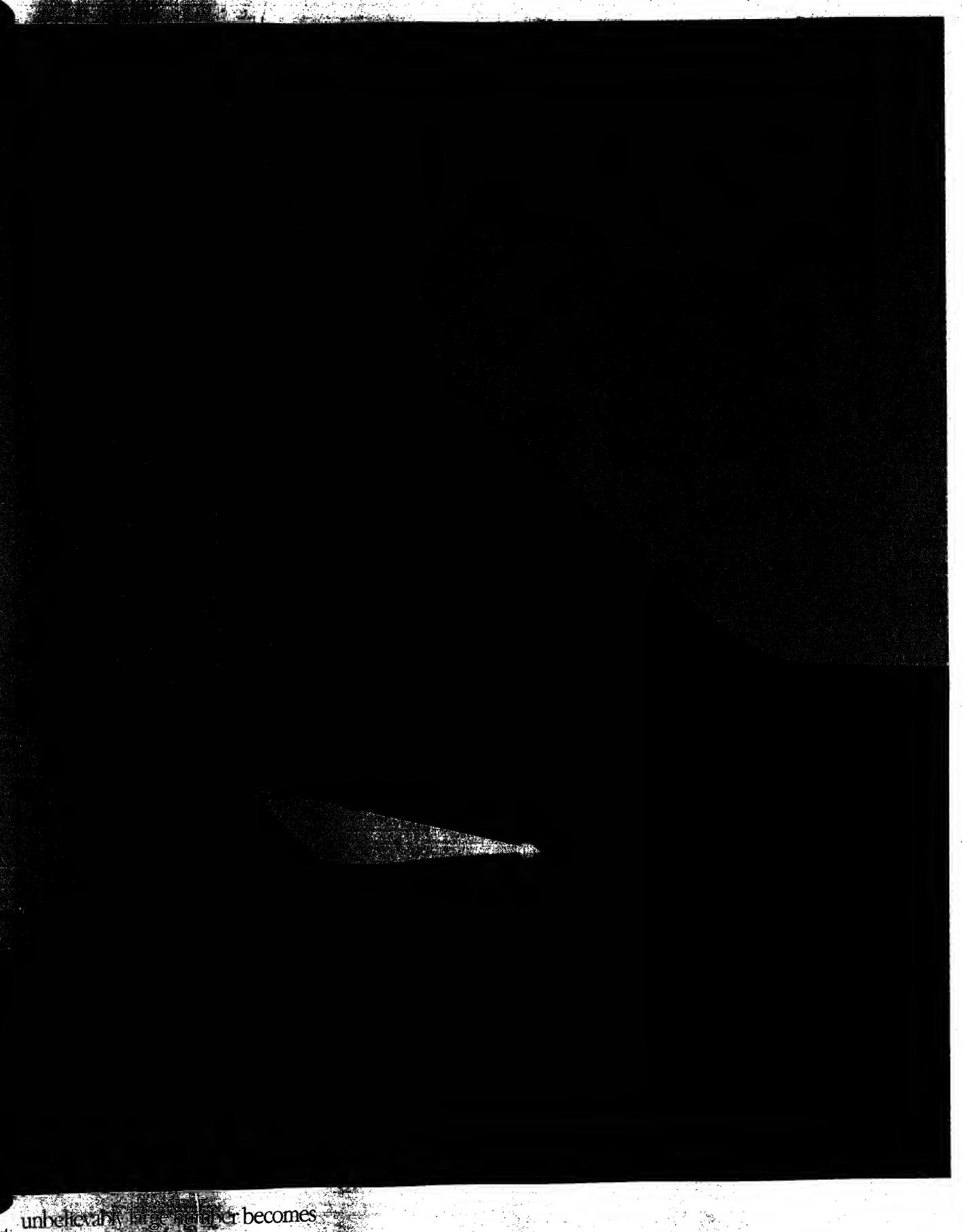
Mexico City. Paris. Bangkok. Rio. Sydney. Cairo. And nearly a hundred other major cities.

The actual number of passential and the company of the company of

gers will be about 675 million.

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But when you consider that Boeing airplanes take off or land about a million times a month, an



unbelievaby, and ber becomes largely believed.

Boeing Wed or crust deliver a lot of air planes. Seliver a lot of people.

BOEING

# Hospitals seek economies as cash runs short

Kenneth Clarke: will impose

place regulations before Parlia-

ment imposing new contracts on general practitioners from

The contracts - reflecting the spirit of the Government's health reform white paper, Working for Patients - will make GPs' pay more performance-related.

British Medical Association leaders reached agreement

with Mr Clarke on the con-

tracts in May, but were over-

turned in a ballot of their

The BMA's general medical

services committee will meet

on Thursday to consider its reaction to Mr Clarke's deci-

sion to impose the contracts.

Some doctors favour precipitat-

ing a crisis for the Government by mass resignation from the NHS. Others have suggested

such tactics as refusing to co-operate with administrative

"I have never seen the pro-

fession with such seething dis-content at every level," said Dr Michael Wilson, chairman of

the general medical services

committee, yesterday. He said

doctors were now talking

openly of resigning from the

NHS, although that would be a

contracts on GPs

By Alan Pike, Social Affairs Correspondent

THE NATIONAL Health Service will be at the centre of fresh political controversy this week, with hospitals saying they are again short of money and Mr Kenneth Clarke, the Health Secretary, taking steps to impose disputed contracts

on family doctors.

A report to be considered by the executive of the National Association of Health Authorities will show that authorities throughout the country are facing shortfalls in the present financial year because of the effects of rising inflation. Many

are already seeking economies.
Widespread bed closures and
service reductions in late 1987, as health authorities fought to remain within financial tar-gets, precipitated the situation that led the Government to

decide on a review of the NHS.

Mr Clarke will be introduc-

ing legislation to implement the changes proposed in the review this autumn.

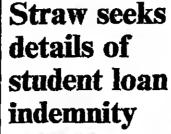
Another spate of financial difficulties while the bill was in Parliament would enable opponents to focus on one of their core criticisms of the reforms - that none of the Government's proposals will increase Britain's spending on health, which is low by international standards.

In last year's Autumn Statement Mr Clarke won a generous settlement for health that should have evoided the type of difficulty now emerging over

hospital spending.

The real value of the settlement, however, depended on the course of inflation. The Government's cash allocations to health authorities assumed 5 per cent inflation, while health service managers now expect their costs to rise by around 7

Pay awards, which have the biggest single effect on health authority budgets, were settled relatively early this year. That gave managers some breathing space in which to plan any necessary economies - but several years of pressure for improved efficiency means the easy options have already been



tutions involved in the student loans scheme could be given to guard against possible policy changes by future govern-

In a letter to Mr John Mac-Gregor, the Education Secre-tary, he said the indemnity being sought by the banks illustrated their lack of confi-

Mr Straw also said the scheme, while it would reduce students' income, would cost the taxpayer more than the grants system until well into

the next century.

Meanwhile, the Government
yesterday advertised for a managing director of the new student loans administration

The administration company, which will be owned by financial institutions but fully

The advertisement is a fur-ther sign of the Government's confidence that a range of high street financial institutions will agree to participate in the scheme, although none has formally done so yet.

By John Mason

MR Jack Straw, Labour's Education spokesman, yester-day demanded the publication of details of the indemnity that banks and financial insti-

dence in the long-term future of the scheme.

company at an annual salary of 255,000 plus bonus, David Thomas, Education Correspon-dent, writes.

funded by the Government, is to be based in Glasgow and is expected to be fully opera-tional by August.

#### UK NEWS

# Fashion trade hangs on by a thin thread

Alice Rawsthorn on the reasons behind the struggle facing the clothing industry

E VERY day the narrow streets to the north of Oxford Circus in London's West End are crammed with vans and lorries loading and unloading rails of clothes for the fashion wholesalers that operate in the area.

But the rush in the centre of London's traditional fashion trade belies tough times for the

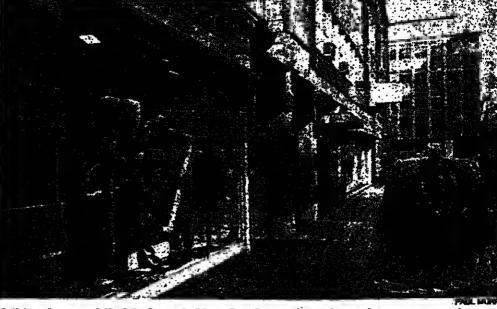
The combination of sluggish consumer spending and intense pressure on profits has made its retail customers much more cautious about pla cing orders, and the mood of the fashion district is much more subdued than usual.

The wholesalers now face the same tough trading climate that has beset the clothing manufacturers since the start of this year.

The industry is struggling in the most difficult conditions since the economic recession of the late 1970s and early 1980s. There are already reports of short-time working and redun-dancies. Company closures

The £4.7bn clothing industry is one of the most labour-intensive areas of manufacturing, with a workforce of more than 220,000, concentrated in the inner cities. The industry is polarised between the huge production plants owned by Courtaulds and Costs Viyella, the giant textile groups, and the tiny sweatshops in the back streets of London, Glas-gow and Manchester.

For the past year or so, the manufacturers have had to cope with a rapid rise in imports fuelled by the strong pound. The value of clothing and knitwear imports into the ing overheads and sluggish consumer spending. Two of the



Clothing shops are full of the latest fashious, but the customers are staying away:

UK rose by 12 per cent to £3.1hm in 1988, according to the British Clothing Industry Asso-ciation, and by 16 per cent to £1.6hm in the first half of 1989.

The rise in imports has not only eroded the market share of UK companies but has put intense pressure on prices and profitability.

Many manufacturers have been forced to choose between losing orders or keeping the business at unrealistically low

Since the start of this year, the import issue has been made worse by the instability of the retail sector, with soarlargest clothing groups, Storehouse and Next, are also in internal disarray.

The uncertain economic out-look has already forced retailers to be more cautions about forward ordering. When spending slowed down in the spring. they also started to cancel orders. Given that it takes so long for consignments of clothing to arrive from the Far East, the UK companies bore the brunt of the cancellations.

Retailers are also being far tougher in negotiating the price of new orders. Last month, Littlewoods wrote to the suppliers of its chain store division asking for retrospec-tive discounts - believed to be of about 3 per cent — on all orders placed since the start of

this year.
It is not unknown for retailers to ask suppliers for retro-spective discounts, but only for short periods. One Littlewoods supplier said he would pay the discount, but that it might "cripple" his husiness. He described Littlewoods request as "absolutely scandalous."

The state of the retail sector.

is so unstable that credit periods are being prolonged and manufacturers are starting to worry about whether they will be paid. One manufacturer: said: "It is dreadful We have not even had to think about retail had debts for years."

Many companies have already experienced a fall in profits. Some have tumbled into losses. Others are strug-gling to accommodate an increase of about 8 per cent in labour costs at a time when prices are falling in real terms. Stocks are rising across the industry, straining cash flow. industry, straining cash flow.

The larger groups — such as Courtaulds, Coats Vivella and Response — have already resorted to redundancies. Mr John Wilson, director of the BCIA, said that, so far, most companies had managed to restrict their cost cutting to restrict their cost cutting to short-time working and natu-ral wastage. But trading was very tough and "some curipa-nies are testering on the edge." The infusivy has at least the

consolation that exchange rates are now markedly more favourable. The pound's recent weekness has ensured that OK companies are more competi-tive against Far Eastern coun-

for currency changes to infin-ence the flow of trade. In the-ory, the industry should benefit from the weaker pound from early next year onwards. However, last week's increase in base rates may jeopanik the chances of recovery.

Mr. Martin Taylor, chairman of Courtailds Textiles, said it was too soon to assess the impact of the base rate rise but it was bound to be "negative." In the meantime, all the industry can do is struggle along until conditions improve. Although, as Mr Wilson of the BCIA says, there is a very real

risk that some clothing compa-

nies simply will "not be able to last that long."

### Clothing and shoe sales growth falls

By Maggle Urry

THE GROWTH rate of retail sales through clothing and footwear shops fell during the summer to levels not seen since 1982, but the outlook for 1990 is brighter, according to a report from Corporate Intelligence Group.

last resort. Mr Clarke, interviewed on BBC television's On the Record The retail research company says that clothing and foot-wear shops sales rose sharply yesterday, said he did not think many doctors would want to withdraw services between 1983 and 1988, with growth in volume terms of 7 Mr Clarke will today from the public in an argument announce that be intends to over pay and conditions. per cent to 9 per cent a year. So far in 1989, volume

growth has dropped sharply, with volume static in June and down 3 per cent in July - the

first monthly fall since 1981. The report suggests that the volume of sales will rise by about 4 per cent to 5 per cent in 1990, taking sales to a level 75 per cent above that in 1980. The forecast assumes a reduction in interest rates.

Menswear shops have suffered more than women's wear retailers, with competition increasing from mixed goods retailers such as chain stores. Volume has been falling since the last quarter of 1988.

Women's wear shops lagged behind the trend in menswear sales by six to nine months, and have seen volume growth in double-figure percentages in double-figure percentages for the last four years. Volume turned down only in June.

Retail Research Report. Corporate Intelligence Research Publications, 51 Doughty Street, London WCIN 2LS. Annual subscription E85 for 10 issues.

# Hallmark rise boosts jewellery trade

By Kenneth Gooding, Mining Correspondent

THE JEWELLERY trade's lery trade's expectations of run-up to Christmas expectation of escaping the consumer demand in the com- Imported articles took that has affected most other of m gold articles weighing just for gold and silver in terr retailers is boosted today by over 22m grams were marked both numbers and weight figures from the Assay Offices. of Great Britain.

The Assay Offices report a 27.3 per cent rise in the weight of gold articles hallmarked in

in the quarter.

The weight of silver items hallmarked also rose strongly, by 12-2 per tent to 16.341 kilo-

the third quarter compared with the same months last year.

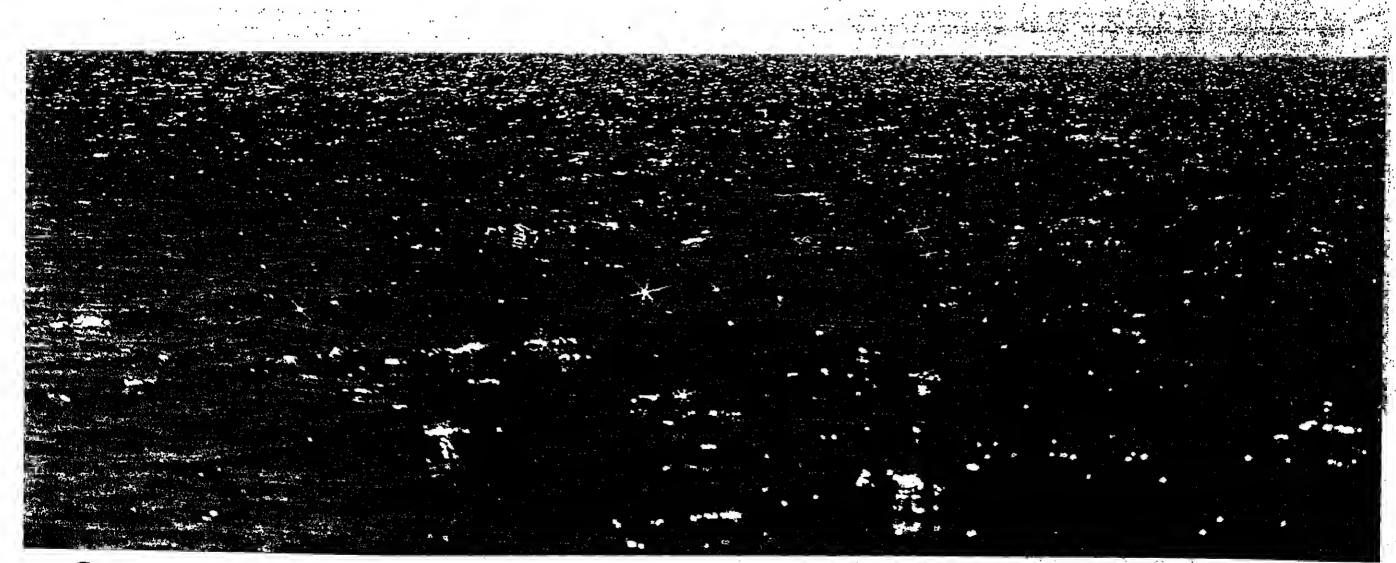
The figures, which are usually a barometer of the jewel-

Imported articles took the lion's share of increases, both for gold and silver in terms of both numbers and weight.

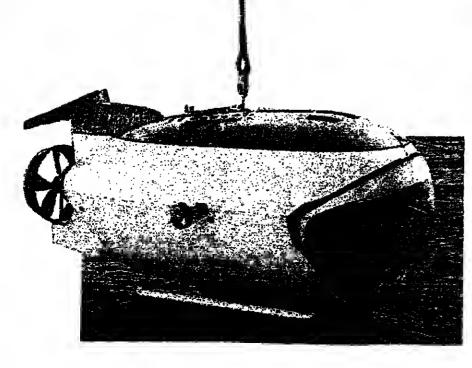
For example, the weight of imported gold articles hall-marked in the quarter jumped by 49 per cent to 9.5m grams.
As usual, platinum jewellery lagged behind gold and silver.
In the quarter, the weight of platinum articles hallmarked

rose by only 4.3 per cent to just

under 12,000 grams.



# Our composite know-how goes very deep. Down to 6000 metres, in fact!



Deep sea research at new depths. Man is now capable of exploring up to 80 percent of all ocean floors. Neste's subsidiary, Exel Oy, has developed a syntactic foam which allows deep sea research vehicles to descend down to 6000 metres instead of the former 2000.

In developing this syntactic foam, Exel has used the very latest findings of composite technology. The Exel foam is composed of microspheres and thermosetting resin. It does not absorb water, resists enormous pressure and, at the same time, remains as lightweight as possible.

The project, which was carried out in cooperation with the Finnish deep sea research vehicle manufacturer. Rauma-Repola Group, is just one example of Exel's product development. Their ski pole, to take another example, proved to be so effective and advanced it was accepted only after the Calgary Olympic games.

Neste is a dynamically developing international corporation.

Our main areas of operation include oil and chemicals. Neste masters the whole production chain from crude oil to plastics. Neste is Scandinavia's largest oil refiner and its production covers all ail products. Neste is contributing to several oil exploration projects around the world. It is also one of the world's leading oil traders.

Neste's rapidly growing chemicals industry produces all kinds of thermoplastics, as well as special plastics. In terms of quantity and quality, Neste Chemicals is already one of the leaders in its field in Europe. It is also one of the

Neste Shipping specializes in transportation of gas and chemicals, often in severe arctic conditions.

world's top manufacturers of insulating

Neste Gas imports and distributes natural gas as well as takes care of the network operations.

Neste Battery covers a wide range of products from starter batteries to industrial batteries and it has production plants in several countries in Europe.

Neste Advanced Power Systems develops and markets internationally solar and wind power systems, and is active in electric vehicle developments.

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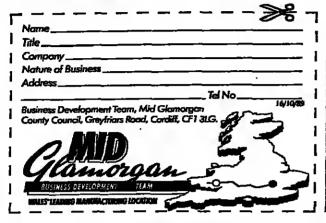
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#### PIONEER ELECTRONIC CORPORATION

The undersigned, being the Agent of Caribbean Depositary Company N.V., announces that Pioneer Electronic Corporation has declared an interim dividend of Yen 10 per share for the financial year 1989, which will be payable as from October 20th 1989 at the office of Pierson, Heldring & Pierson N.V.

This distribution, which has been converted into U.S. dollars

pursuant to section 4 of the Deposit Agreement will be available to holders of CDR's against surrender of coupon 31 less 20% Japanese withholding tax, to the effect that per CDR's evidencing

5 Depositary Shares \$ 2,82 ( 3,00) 10 Depositary Shares \$ 5,64 ( 6,00) and 100 Depositary Shares \$ 56,40 (60,00) is paid.

The amounts stated between brackets represent the dividend less 15% Japanese tax. These dividends will be paid until January 18th 1990 but only on condition that the coupons to be surrendered will be accompanied by an "Affidavit" (obtainable with the undersigned), evidencing that the beneficial holders of the CDR's are residents of a country which has concluded a Tax Treaty with Japan. In the Netherlands dividends will be paid to residents in Netherlands currency at the daily rate of exchange unless otherwise instructed. Amsterdam, October 11th 1989

N.V. Nederlandsch Administratie- en Trustkantoor



#### Banco de la Nacion Argentina U.S. \$195,000,000

Floating Rate Notes due 1994-1997 For the period

16th October, 1989 to 17th April, 1990

In accordance with the provisions of the Notes, notice is hereby given that the rate of interest has been fixed at 97, per cent. per annum, and that the interest payable on the relevant interest payment date, 17th April, 1990 against Coupon No. 5 will be U.S. \$2,398.70 per U.S. \$50,000 Note.

The Industrial Bank of Japan, Limited Agent Bank

#### **UK NEWS**

#### CBL/FINANCIAL TIMES DISTRIBUTIVE TRADE SURVEY

# Slowdown in consumer demand continues

By Peter Norman, Economics Correspondent

RETAIL SALES growth recovered slightly for the second month in succession last month but it remains little changed compared with the growth rates of the first half of this year and well below the growth seen last year. The evidence of a sustained

managers complained, with an average number of vacancies of 10 per installation in the last slowdown in consumer demand is in the latest Confederation Applications programmers, people who write compoter programs designed to carry out of British Industry/Financial Times distributive trade survey and should encourage the specific business tasks, were in most demand, followed by ana-Government and financial marlysts, computer operators and networking specialists.

According to the survey, which polled 492 companies in the reisil, wholesale and motor trades between September 8 and October 4, overall distribu-tors' sales volumes in Septemtors sains within an abightly faster annual rate than in Angust. However, the balance of con-panies reporting sales higher than a year ago represented "one of the slowest rates of sales growth on record."

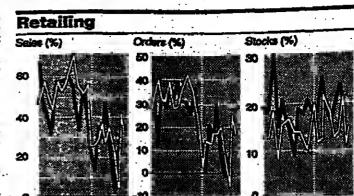
Wholesalers also indicated faster year-on-year sales increases in September than in August, while motor traders reported sales substantially lower than in September 1988.

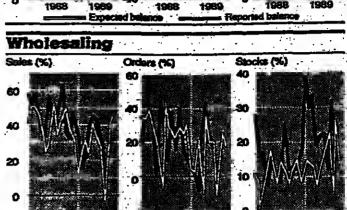
Of the 295 retailers questioned, 52 per cent said that sales volumes in September were higher than a year earlier while 25 per cent said they were lower. The difference between the two, which gives a guide to the trend, was a balance of 27 per cent — up on August's 21 per cent and July's record low of 2 per cent but well below the 54 per cent balance reported in September

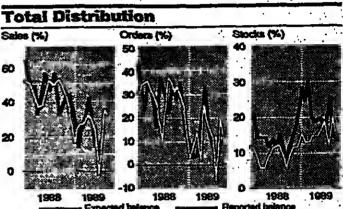
The 27 per cent balance of traders reporting higher sales was lower than the 41 per cent balance of retailers in August who had said they expected a sales increase last month. A balance of 32 per cent of retail-ers expected higher sales in October relative to 1988.

Comparatively few retailers reported that sales were good for the time of year. The sur-vey reported a positive halance of just 4 per cent in answer to this question, compared with a halance of 2 per cent saying that sales were poor for the time of year in August.

There were some signs of cautious optimism for the future. A balance of 11 per cent of retailers expected good sales for the time of year this mouth







1989

and they placed more orders in September than in August. A balance of 11 per cent placed higher orders than at the same time last year compared with 6 per cent in August.

Clothing retailers reported the best sales increases while retailers of durable household goods and books indicated sales below September 1988 volumes. Shops selling house-

hold textiles, farmiture and carpets suffered from the freeze in the housing market, with a bal-ance of 60 per cent of those polled reporting sales below

those of last year.

A similarly gloomy picture emerges from the 47 motor traders polled. Only 19 per cent reported higher sales in September compared with 48 per cent who said that sales were

down on a year ago - a baiance of 29 per cent reporting a drop in sales last month. A balance of 24 per cant said that sales in September were poor for the time of year while 35 per cent of the compa-nies polled said they expected sales in October would be below those of October last

Vehicle traders continued to indicate lower sales while companies selling parts and accessories said that sales last month were higher than in

enternher 1988.

September 1988.

For the second survey in succession, motor traders placed a lower volume of orders with suppliers than at the same time a year ago. Orders are expected to stay below last year's volumes itening the present month while stocks, having grown in telation to expected sales in September, are expected to grown again this month.

again this month.
Wholesalers' sales volumes grew at a quicker pace in Sepgrew at a quicker pace in September but not by as much as had been expected in the previous CRI/FT survey. Of the 150 companies polled, 52 per cent said sales were higher last month compared with 22 per cent reporting a drop in sales.

The 20 per cent modifies hel-

cent reporting a drop in sales.
The 30 per cent positive halance compared with 11 per
cent in Angust.
For October, 46 per cent of
companies expect an increase
in sales against 41 per cent in
the last survey predicting
increased sales in September.

A belience of 7 per cent of companies said sales were good for the time of year. However, among the individual sectors, dealers in industrial materials, builders' materials, durable household goods, farm machin-ery and clothing textiles and footwear reported lower sales. than in September 1988.

Stocks were run down in relation to expected sales last month, with a balance of 15 per cent of companies reporting excessive stocks compared with \$2 per cent in August.

• The Central Statistical Office announced on Friday that the the retail prices index (1987–190), was 116.6 in September, compared with 116.8 in August. The tax and price 119.2 index (1987-106) was 112.2 last month, compared with 111.4 in August.

### Gas supply cuts plan is dropped after protests

Data processing

skills shortages

By Alan Cane

DATA PROCESSING in most

British companies has suffered and will continue to suffer from a shortage of skilled com-puter specialists, according to

a survey.

It shows that managers in about 70 per cent of UK data processing installations believe that staff shortages have caused delays in the develop-

ment of software and adversely affected the quality of applica-

tions programs.

The survey, by Hunt Market Research for Protocol Interna-

tional, the computer staff training consultancy, is pessimistic

atom the inture.

It says: "Our respondents' outlook regarding future skills shortages is bleak and most forecast that the situation will

The survey is based on opinions gathered from a sample of 512 companies from most

industrial sectors including manufacturing, finance, local government, retail and leisure. More than half the respon-

dents used International Busi-ness Machines Equipment, while the "second division" comprised International Com-puters and Digital Equipment

The survey is further confirmation that a shortage of skilled data processing specialists is now endemic in the UK

computer industry. It seems

certain to get worse as the number of school leavers in

the UK declines sharply.

About two thirds of the firms surveyed said they had increased their staff in the past

five years, but recruiting staff

was a continuous difficulty,

about the future.

become worse."

'hurts companies'

BRITISH GAS has backed down from a plan to make rou-tine cuts in supply to cartain large industrial customers as a result of pressure from the Government-appointed regula-

The supply cuts were to be made to customers who opted for cheaper tariffs in exchange for an agreement that British Gas could interrupt supplies if it ran short during periods of

peak demand.

A report by the Monopolies
Commission last year said British Gas must publish all its prices in the industrial market. In the light of that, the company said customers opting for the cheaper "interruptable" tariffs would be cut off a minimum number of times a year, even if supplies were plentiful.

Many companies protested to

Many companies protested to the Office of Gas Supply, the industry's regulator, which obtained advice suggesting that British Gas would be acting illegally if it cut off customers when it had supplies.

Yesterday, Mr James McKinnon, director general of Ofgas, announced that British Gas

had agreed not to invoke mandatory interruption for an experimental period."

Only about 10 per cent of installations were short of

growth of contract program-ming, one of the more signifi-cant trends to emerge in recent

years. Contract programmers are comparatively experienced data processing specialists who work on a freelance basis, earning perhaps double the fee they could expect as a salaried

Independent studies by the consultancy Price Waterhouse

suggest that there are more than 20,000 contractors in the UK computer business earning

an average, at 1988 prices, of £27,491 (£30,758 in London). It is recognised that a prime

cause of the shortage of skilled staff is the computer industry's erratic record on training.

The survey concludes that

expenditure per employee, even in installations where

education and training was

taken seriously, amounts to hundreds rather than thon-

Meeting the Challenge, based

on the survey of the recruitment crisis. Protocol International,

Number One, Royal Exchange Square, Valpy Street, Reading, Berkshire RG1 1RH. Report and

sands of pounds.

The survey highlighted the

managers.

Mr McKinnon said the origi-nal price schedule, published in May had brought a stream

of complaints.

"I had a duty to follow up those concerns with British Gas on behalf of complainants," he said. "I held extensive discussions with the company to establish the most appropriate way of resolving the anomalies that were inherent in the published schedule."

When British Gas was privational the complete way of resolving the anomalies that were inherent in the published schedule." tised, the regulator was not

given power to interfere with its pricing in the industrial market. However, the Monopo-lies and Mergers Commission decided that the company was abusing its position in the market by discriminating between customer. Ofgas now has power to oversee the structure of industrial tariffs, but not to determine their level.

As part of its recent agree-ment British Gas is to set tar-iffs in such a way that there is a smooth gradation between one tariff band and another.

#### Complaint on fuel claim

A COMPLAINT has been made to the Advertising Standards Authority that British Gas the Earth's cleanest fuel are misleading the public, writes John Hunt.

The complaint, from the Association for the Conservation of Energy, said that the advertisement failed to mention that leakage of natural gas released methane into the atmosphere. Methane contributes to the greenhouse effect that causes global warming.

British Gas said that it had an extensive programme to reduce potential leaks by repla-cing mains and fitting leakage control equipment.

# UDR 'must be accountable'

By Kleran Cooke in Dublin

MR Charles Haughey, the Irish Prime Minister, has said that the Ulster Defence Regiment, the locally recruited force that looks after more than 80 per cent of army duties in Northern Ireland, must be made fully accountable for its

In his strongest statement yet on the role of the UDR, Mr Haughey said that in a divided society such as Northern Ireland it was crucially impor-tant that the public should be confident of the UDR's fairness

and impartiality.

He said: "Confidence cannot prevail if there is a perception that individual members of the security forces are colluding

with sectarian assassins." · Mr Haughey's comments allegations made by nationalist politicians that members of the UDR have been giving security documents of nationalist terror suspects to loyalist paramili-

The UDR was the main subject at the recent contentious meeting of the Anglo-Irish Con-

Another meeting of the conference is due to take place on Wednesday in Belfast and it is felt that Mr Haughey is clearly signalling that the Irish Government means to press for what it sees as much needed

reforms within the UDR, such as a more comprehensive vetting system for regiment ing of sensitive security docu-

Mr Haughey said that there should be a comprehensive review of "the basis as well as the role of the UDR," which was drawn almost exclusively from the Protestant side of the community in Northern

Ireland The Irish Prime Minister was speaking at the annual conmemoration ceremony for Wolfe Tone, one of the great 18th-century heroes for the struggle of Irish nationhood and himself a Protestant.

## A MILLION AIRCRAFT A MONTH EARLIER

The millianth aircraft movement over England and Wales has just been handled by the Londan Air Traffic Control Centre. This is a month earlier than last year, and two months earlier than in 1987, when the Landon Centre handled a millian aircraft movements for the first time.

Britain's oir traffic controllers are moving more oir traffic than ever befare. In the first six months of this year, movements handled by the Scottish Centre were up by 21%. The Oceanic Centre handled a 12% increase in transatlantic traffic. London Centre hondled 7.6% more.

The picture is the same at Britain's oirports, where controllers are also handling record levels af air traffic. This is a real success story, but the CAA recognises there are still too mony delays and is determined to play its part in

Demand is set to ga on rising. Over the next ten years the CAA will be spending £600 million on new equipment and record numbers of air traffic controllers and engineers are

The future of Britain's oir troffic cantrol must also be seen in a European context. The CAA is intensifying its co-operation with other outhorities.

Civil Aviation Authority

CAA House 45-59 Kingsway Landon WC2B 6TE

#### Censorship in Ulster has 'eroded freedom'

By Raymond Snoddy

ARTICLE 19, the independent anti-censorship human rights organisation, today attacks the British and hish governments for seriously eroding freedom in response to IRA terrorism.

The organisation, which takes its name from an article of the Universal Declaration of Human Rights, has sent letters to Mr Charles Haushey, the

to Mr Charles Haughey, the Irish Prime Minister and Mrs Thatcher, the UK Prime Ministhe cumulative effects of restrictions relating to Northern Ireland have seriously eroded freedom throughout Britain and Ireland."

The organisation argues that restrictions on freedom of expression and information relating to Northern Ireland are both counterproductive and in breach of both countries' international obligations. In No Comment, a book by

Article 19 director Frances de Souza, to be launched on Wednesday, the organisation says censorship in all its forms says censorship in all its forms has impeded the process of turning Irish people away from violence to political debate.

A planned Sinn Fein march through Belfast city centre yesterday, in protest at the broadcasting ban was curbed by the Royal Ulster Constabulary, writes our Belfast Correspondent.

Hundreds of people marched along the nationalist Falls Road. Speakers said there had been fewer requests for inter-views with Shn Fein. Although organisers gave the seven days' notice required

under public order laws, police banned them from a number of city centre roads and streets. No Comment. Article 19, 90 Borough High Street, London SEI ILL. 23.95.

#### Benefit changes 'creating more hardship for young'

By Alan Pike, Social Affairs Correspondent

SOME YOUNG people aged 18 or 17 are suffering intolerable poverty because the law no longer allows them to claim income support, a survey by the National Association of Citizens Advice Bureaux (NACAB) says today. The issues of homelessness,

vulnerability and breakdown in family relationships were not new and had not been cre-

ated by the income support regulations, says the report. Even so, the regulations had created a "very considerable increase not only in the numher of young people in hard-ship, but also in the severity of

that hardship." The changes and inadequate advice created a situation that NACAB con-sidered "intolerable in a soci-ety committed to the welfare of all its sitisans." all its citizens."

Young people under 18 lost their right to income support last year, reflecting the Gov-ernment's view that they should take Youth Training Scheme places rather than claim benefits.

NACAB proposes that once a young person has registered for YTS, a £15-a-week bridging allowance – currently paid for eight weeks – should continue until their placement begins.

#### MANAGEMENT

anagers of BP Explora-tion, the oil exploration and production arm of British Petroleum, have been meeting in small groups around the world in recent weeks, drawing boxes and putting lines between them, in an exercise to come up with a new company-wide organisation chart. This, however, is not an academic exercise because when it is all finished 1.700 RP staff members, 17 per cent of the part first will lose. per cent of the work force, will lose their jobs, including, at least in the ory, some of the men engineering the

of Marks all a speller of the contract

When John Browne, managing director and chief executive officer of BP Exploration (BPX), amounced in mid-september that jobs would be slashed as part of a company-wide restructuring plan, it had all the appearance of a done deal.

Yet what Browne had done was

Yet what Browne had done was merely to get the programme through the board, after a good deal of internal debate and resistance. The board fixed a strategy, the target for job losses in various parts of the business, and a rough plan for a new organisation table. organisation table.

Only now is BP going through the painful process of figuring out what this means to its 10,500 employees. BPX managers throughout the world have been meeting to discuss how to enact the plan, which is aimed at simplifying the way the company works and improving performance, while embracing a high risk oil exploration strategy. Other planks in the strategy include: shedding low-return asse stepping up development of gas reserves near to markets, and spending a bigger budget on a more tightly focused research and development

But the core of the programme is to revamp the organisation. Revised local organisation charts, with implied job losses, are being scribbled out and forwarded to the head office for approval, with many sent back for more retooling, for deeper cuts and greater simplicity. Only at the end of this process, planned for the end of November, will BP actually decide

who is to go, and who is to stay and what they will be doing.

BP executives say that the process of reshaping the company is in many ways just as important as the size and structure of the final product. This is because Mr Browne is trying to change the BP management culture, not just make a smaller company, and he wants to use the upheaval to draw BP employees into a new way of thinking and working to make them participate in changing the company in order to heighten their commitment to working the new system after

the changes. "You can only get people to accept it if they do it themselves. They've actually got to buy into it. They've got to believe it is right," says Peter Hill, the former UK exploration manager who was recently appointed chief of staff at the central office in London Hill's current job makes him a don, Hill's current job makes him a

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**BP** Exploration

# Why simplification has become a complex task

Steven Butler reports on the oil company's efforts to create a slimmer profile in order to enhance both its performance and its risk-taking capability



John Browne: trying to change a management culture

general manager of human resources, giving him oversight responsibilities on the current restructuring, as well as a charge of looking at some of the longer-term implications of the pro-

BP's drastic restructuring and downsizing programme is widely seen as necessary by its competitors. One independent oil company that is a partner of BP overseas figured, only half in jest, that BP was eight times overstaffed. Every time the two met

to discuss the project BP sent eight times as many people.

The goal of the restructuring is to simplify to chop out layers of redundant management, and all the support services they require, to define a sharper focus for business units, and to devolve responsibility further down the chain of command so that people in charge of operations have the authority as well as the responsibility for taking risks, within broad guide-lines fixed at headquarters. The headquarters will be reduced in size and will provide strategic direction, but will exercise less direct command. On announcing the restructuring, Browne agreed that this was decentralisation. However, it is evidently more than a simple devolution of

authority because the restructuring also aims at enforcing more coherence of purpose, albeit in a less bureau-cratic way, leaving more of the details

to the men on the ground.

"It only takes one person to say no, but it takes everyone to say yes," says Hill, speaking about the cumbersome old system. As an example, Hill counts eight

levels of management from the man-

ager of an offshore installation in the North Sea to the BPX managing director, all of whom often were required to endorse important decisions, such as installing new equipment that would require outside contracting. These levels are: the offshore manager, the operations manager onshore, field manager onshore, assistant gen-eral manager, general manager, gen-eral manager northern operations,

chief operating officer, chief executive officer (Britoil), and Browne and his management committee.
This, according to Hill, encouraged the typical hureaucratic response: avoidance of risk taking and responsibility, inflexibility, and a proliferation of rules and procedures which delayed decision making. Hill, and others in and outside of BP, say the company is

stuffed with talent.

"We should be making a beck of a lot more money," says Hill. The need to simplify the organisa-tion also dovetailed with the move toward higher risk exploration. BP has decided it needs to look for bigger

reservoirs that can probably only

be found in relatively unexplored

Looking for oil in these sorts of aces takes creativity - the ability to figure out how to use a general know-ledge of geology and finding oil in a new situation where the old rules do not quite apply. No two oil basins are precisely the same. Yet creative minds do not work well when heavily shackled in layers of bureaucracy.

In the case of the North Sea platform, the aim is to chop the levels roughly in half. The difficulty, of course, is that the layers of management were not inserted by idiots, but by intelligent men trying to control the behaviour of a big organisation performing complex tasks. Those boxes on the chart stood for organisations that were not only performing control functions, but were co-ordinating operations that, from the first shooting of seismic surveys to the delivery of oil for sale, are among the most logistically complex and techno-

logically intensive in industry.

By getting rid of them, BP is losing intelligent eyes and ears that enabled the headquarters to monitor and con-trol operations. This is a delicate job where there is a danger of going too far and getting it wrong. This is one reason why BP has chosen to involve local managers in reshaping their own work relationships. Only they will know for sure whether, at least tackwisely the rechnifiling of organitechnically, the reshuffling of organi-sational boxes have any hope of

resulting in a workable arrangement But as important as this was the desire to involve the whole staff in the process of shaping the future, and it is here that restructuring and resta-bilising the organisation is only the first step. If there are to be fewer bureaucratic controls on decisionsmaking, more flexibility, and more creativity, managers will have to be rilling to be more personally account-

able and be motivated to be so.
"We don't reward people," says Hill,
speaking of the current system. "We rely on people's self-motivation. You get paid a good salary whether it is wind, or shine."

BP Exploration has no system of performance related pay, but this is looking like a terrible anachronism employees are being asked to take more responsibility for putting tha company's funds at risk in what is a high risk business. Hill is looking at how the central office would go about setting performance targets for busi-ness units and relate these to pay. Another problem that Hill has identified is the lack of integrated training

programmes.

They haven't trained me for this.

I've fallen into it," he says, speaking of his own promotion from managing a technical operation to a key post in the head office. His qualifications appear to be a lively mind, an insider's knowledge of how the organisation worked and strong opinions. (He says he's being given the chance to act on all the complaints he used to make about working at BP.)

Although specialised training has been available for BPX employees, the company has never tried to base a

training system on the relationships between career development, training, and the needs of the organisation. Hill also wants to rethink the paths of career development, to make it possible for personnel on the technical side to go right to the top of the ladder without switching into a busi-

ness management portfolio, allowing them to stick with what they do best. BPX looked at other options for try-ing to improve the performance of the company. These ranged from not touching the size and structure of the company and just trying to do better, to reshuffling the organisation and making better use of staff. Indeed, some BPX employees were drawn instinctively to this latter option on the grounds that becoming a smaller company was an admission of defeat. In the end, however, Browne convinced his colleagues to adopt the

root and branch approach.

The bigger the firm the higher the price

ow much does it cost to call in the management consultants? The cheapest area of the country was the Midlands, with an day, according to a survey by the Management Consultancy Information Service.

Fees vary according to the size of the consultancy, the area of the UK in which it operates, and the seniority of the consultant who does the

The MCIS says that the median daily fee rate is £800, compared to £425 two years

ago.
The survey of 110 consultancies found that the major factor determining fee rates was the size of the consultancy. the size of the consultancy. The average daily fee rate of the sole practitioners surveyed was £425. Practices employing between two and 20 consultants charged an average of £550. Practices with between 21 and 50 consultants charged £675. Large practices with more than 50 consultants charged an average daily fee of

Fees in London were about 50 per cent higher than else-where in the country, with an average daily rate of £750. Else-

Michael Skapinker

#### Business courses

Principles of Effective Management, Bromley. October 29-November 3. Fee: £1250 + VAT. Details from Client Services, Sundridge Management Centre, Plaistow Lane, Bromley, Kent, BR1 3TP. Tel: 01-460 8585. Fax: 01-466 1578.

Company Secretary's Review 12th Annual Updating Conference, London. November 16. Fee: £215 + VAT. Details from Tolley Conferences. Tolley House, 2 Addison Road, Croy-don, Surrey CR9 5AF. Tel: 01-680 5682, Fax: 01-686 9141.

World Financial Markets at the Crossroads, 1990-2000, London November 16. Details from The Economist Conference Unit, 25 St James's Street, London SW1A 1HG. Tel: 01-839 7000. Fax: 01-839 7000.

Is Marketing Keeping Up with the Consumer? Lessons from Changing Product Attitudes and Behaviour, Vienna. November 6-8. Details from ESOMAR Central Secretariat, JJ Viottastraat 29, 1071 JP average daily rate of £425. The highest paid consulting

sector was human resources where the average daily rate was £700. Information technology consulting commanded an average rate of £625. The daily rate for production management was £450.

Fees varied widely according to the seniority of the consultant used. The average daily rate for a junior consultant was £300. The average fee for a principal consultant was £750, while the rate for a director or partner was £1,000 a day.

The survey found that 27 per cent of consultants charged by the day, while 37 per cent charged for the whole project. The remainder used either measure or a mixture of both, depending on the project. Nearly two-thirds of consul-tants billed their clients

Available from MCIS, 38 Blenheim Avenue, Gants Hill, Ilford, Essex IG2 6JQ, £10.

Amsterdam, The Netherlands. Tel: + 31 20 664.2141. Fax: +31 20 664.2922.

Using Personal Computers For Project Management, London. November 2:-22. Fee: £290 + VAT. Details from The Infomatics Resource Centre, The Chapel, Royal Victoria Patriotic Building, Fitzhngh Grove, London SW18 3SX. Tel: 01-871 2546. Fax: 01-871 3866.

Quality - Meeting the 1992 Challenge, London. November 23-24. Fee: £290 + VAT. Details from The Conference Office, The Institute of Quality Assurance, 10 Grosvenor Gardens, London SW1W ODQ. Tel: 01-730

> Export Market Techniques, London. November 27. Fee: £149.50. Details from The Insti-tute of Export, Freepost, 64 Clifton Street, London EC2B 2DU, Tel: 01-247 9812. Fax: 01-377 5443.

> Today's Woman Manager. Swindon, November 1, Fee: £80. Details from Padgett Thompsou, P O Box 109, Penn, High Wycombe, Bucks, HP10 8NP, Tel: 0494-816682.





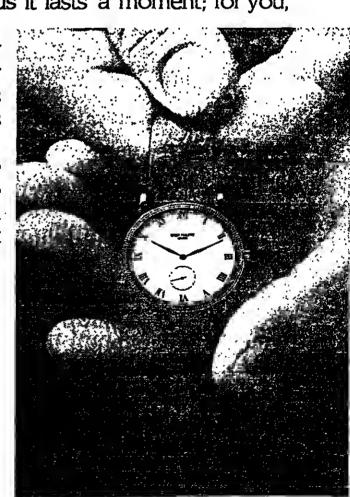
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#### **LEGAL COLUMN**

# English and expertise are ICI's counsel criteria

By Robert Rice, Legal Correspondent

ICI'S GROUP legal service may well be unique in not having a firm of solicitors in England and Wales that could claim it as a regular client, according to Mr Barry O'Meara, deputy group solicitor with the company. So it was slightly ironic, he said, that he had been chosen to speak on "what the corporate law department seeks in outside counsel" to the Inter-national Bar Association conference in Strasbourg recently.

Most of ICI's legal work in the UK is carried out within the company by more than 60 plus lawyers employed in the IUK by the carried out within the company at the life of the carried out of the life of the carried out of the life of the carried out of the life of the li in the UK by the company either in the headquarters group legal department or in the various legal departments of its international business units. European Community law is considered by the company as being in the same category as advising on

in the same category as advising on English law.

ICI employs 80 other lawyers elsewhere in the group. However, 140 is not a great number for a company the size of ICI. The company, therefore, nevitably has to rely to a large extent in external lawyers in every country in which it is represented outside England and Wales.

So what do they look for? First, they must be fluent in English — a sad commentary on the linguistic skills of ICI's senior management, as Mr O'Meara admitted.

Mr O'Meara admitted.

Mr O'Meara admitted.

Second, external lawyers must have the professional standing and expertise to justify their being chosen to advise a company like ICL It was pointless instructing a lawyer whose principle expertise was, say, in family law, simply because the local manager played golf with him. Apparently

such things really have happened in

The third criterion is that ICI's external lawyers have to have the ability to advise on all aspects of the transaction. The company will also only instruct nationals of the countries in which it does business to advise on the laws of those countries Apart from these factors, ICI looks for much the same attributes in its outside counsel as it seeks in the lawyers on its payroll: an ability to listen, to isolate the key issues, and then express advice in clear and precise terms while not appearing to "talk

down" to the client.

A bonus would be to find a lawyer who understood business and so could tailor his advice to the wider requirements of a transaction. Although ICI

For most companies, the bottom line is a key factor in business decisions

does not ask its external lawyers to be businessmen, it welcomes participa-

For most companies, the bottom line is a key factor in making any business decision. However, the amount of legal fees incurred in a transaction would be far outweighed by the financial damage that would ensue if that decision was based on faulty legal advice he said.

ensue it that decision was based on faulty legal advice, he said.

ICI's philosophy was therefore to "hire the best and pay what it takes." If, however, the advice for which the company had paid was found to be

faulty, or if the lawyer concerned had simply not done the job, then retribu-

tion was swift and terrible.

The lawyer would be struck from the company's list and that fact made known within the circle of company lawyer contacts in other businesses.

WHO would you say earns more: the corporate lawyer or the trial lawyer? Most people in the UK would probably guess that the company and commercial lawyer in a big City law firm earns more than the average litigator.

and they would be correct. In the US, however, the reverse is true.

According to Forbes magazine, you can forget the Wall Street shuffle; it is the plaintiff's attorneys, who specialise in suing, who are "the real champions of the great American greed eams."

reed game."
If asked to guess what the highestif asked to guess what the highest-paid UK lawyer earned last year you wouldn't be far off if you said film. Guessing what the highest-paid attor-ney in the US earned in 1988 is not as easy — indeed, coming within \$100m (£63.3m) would be a feat.

According to Forbes, the top moneymaker in 1988 made, on a conservative estimate, \$450m, and possibly as much as \$600m. He was Mr Joseph Jamail of Houston, Texas, who made most of his money from the estimated \$420m fees he received for persuading the Texas courts to accept the theory that Pennzoll had a binding contract to buy Getty Oil, even though there was nothing written down on paper. His victim, Texaco, the third-largest oil company in the

US, was forced into bankruptcy.
On top of that, Forbes estimates that Mr Jamail's personal-injury practice won over \$100m in judgments and settlements last year, of which the firm reaped about a third. "I never wash windows," he is quoted as saying, "nor do I work by the hour."
The Pennzoil judgment was obviously a once in a lifetime payoff, distorting out of all proportion Mr

torting out of all proportion Mr Jamail's earnings for 1988. But even in 1987, Forbes estimates that he was the top earning lawyer, bringing in more than \$25m.

For the last two years, the next-higgest earner after him has been Mr Herbert Hafif from Claremont, California. He is estimated to have earned \$40m in 1988. Mr Hafif made the head-lines with a \$500 independent excitation. lines with a \$540m judgment against

Perhaps there is something in these contingency fees after all . . .

ComputerLand in a 1988 tort case he brought on behalf of MicroVest. That judgment gave him 5 per cent of Com-puterLand's stock, worth \$25m. He now acts as ComputerLand's attor-

In fact, all the 15 top-earning US attorneys in 1988 are trial lawyers, earning \$5m or more. Perhaps there is something in these contingency fees

The highest-paid corporate lawyer was Mr Joseph Flom of New York's Skadden, Arps, Slate, Meagher & Flom According to Forbes, he had an

income of about \$5m in 1988. Mr Flom. income of about \$5m in 1988. Mr Flom, as most UK corporate lawyers will know, made his money and reputation from mergers and acquisitions work, his firm having appeared in virtually every large US merger transaction in the last 10 years. Nevertheless, M & A accounts for only 25 per cent of the firm's income.

the firm's income. After Mr Flom in the top ten corporate earners comes a list of familiar names, including, at number five, Mr Martin Lipton of New York's Wachtell, Lipton, Rosen & Kaiz (\$3m) and at number ten, Mr Samuel Butler of Cravath, Swaine & Moore (\$2.4m). Curiously, three of the top ten cor-

Curiously, three of the top ten corporate law earners are all partners of the same Los Angeles firm of Ziffren, Brittenham & Branca. The firm is arguably the West Coast's most powerful entertainment law practice. It has only 13 lawyers and has made its money by charging movie and television clients a percentage (5 per cent) of their gross revenues, rather than hilling them according to hourly fees. Mr Harry "Skip" Brittenham, at number three (\$3m), counts Harrison Ford, Don "Miami Vice" Johnson, Melanie Griffith, John Candy, Tom

Melanie Griffith, John Candy, Tom Selleck and Richard Pryor among his

Mr Kenneth Ziffren, in sixth place (\$3m), makes his money representing Hollywood's director-writer-producers, while the glamorous former rock musician, Mr John Branca, at number eight (\$2.5m), has clients who, as Forbes puts it, "are to die for." They include Michael Jackson, the Rolling Stones, the Beach Boys, the estate of Elvis Presley, The Doors and George Harrison, to name a few.

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# Drawn into the garden

to retreat temporarily into the untronbled shade of an English garden to avoid the crossfire of corrently raging architectural arguments. The publication of Jane Brown's new book, The Art and Architecture of English Gardens (Weidenfeld and Nicol-son, 240) gives the perfect opportunity for some peaceful reflection on quiet English schievements.

achievements.

There has long been a need for a source book of the history of garden dealgn and, although the selection in this book is confined to the collection of the Royal Institute of British Architects, that limitation does not present the form he had a not prevent it from being a useful visual survey. It is also stimulating hecause Jane Brown writes in a spirited way, sharing with the reader her love of the subject.

Garden history is a compara-tively new discipline, and has flourished with the encouragement of the Garden History society. Its growth is rather like the growth of the study and enthusiasm for Victorian architecture during the 1960s. Garden history today has penetrated the citadel of English Heritage, where scholarly research forms the condition of any major grant analigation. any major grant application. The history of garden design and planting cannot be sepa-rated from the realities of running large gardens or estates. The National Trust may not be at its strongest on research and accurate restoration, but it does understand the problems of maintenance and large numbers of visitors. Organisations like the National Trust and English Heritage should be the ones to set the pace for both scholarship, education and appropriate restoration.

The drawings from the RIBA in this book (and some of them are to be shown in an exhibition at the Heinz Gallery from early November) provide a good skeleton upon which to hang the developing flesh gar-den history. They start with the work of Robert Smythson (1535 – 1614), best known for his fantastic houses like Wollaton Hall in Nottinghamshire. These survey drawings show a great interest in geometry and provide a two dimensional prelude to the great exercises in Baroque perspective that were

Macbeth

less so. There is nothing partic-

ularly heretical in that, but

Pope has brought a broad-brush imaginative relocation

to bear that strikes hard at the

play's centre while eschewing

We are in a war zone pre-sided over by a longe-suited Hecate (Derwent Watson dou-

bling as a one-eyed Duncan). The witches are three girl ter-

rorists (no beards, not gorillas) in anoraks and holding wal-kie-talkies. The entire stage

area is covered in silver paint

and tin foll, the back wall and

structural innards exposed as on a Richard Rodgers construc-

Across this post-nuclear tun-

dra, where dry ice and an onstage wind machine are

underpinned by the throbbing

hum of Adrian Johnston'a

soundtrack, stagger the benighted warriors in gas masks, heavy duty protective

clobber and luminous lemon

various niceties.

CITIZENS THEATRE, GLASGOW

Jon Pope's new production at fatigues. They hack at the

the Citizens of the Scottish grilles and steaming floor with play, in spite of a Scots Banquo and Macduff, could hardly be firemen in cold pursuit of King

It was Johannes Kip who brought the hirds'-eye view to England and his elaborate survey views give us much planting and planning information. Kip must have influenced designers and certainly the owners of country houses who could measure the design of their acres against their neigh-bours. It is interesting to learn that William Kent was always the artist. He did not use a plan for the gardens he made. "Capability" Brown, on the other hand, worked with the owners of estates, drawing up his "meanders" in a casual almost freehand style. But it is landscape designer

Throughout this book the thought is prompted of the transience

gardens'

Humphry Repton (1752-1818) who really understood the importance of drawings. His Red Books for each property survive and the one for Langley Park in Kent is illustrated in this book. What a brilliant device he invented, "the before and offer" length over drawing. and after" flap over drawing that shows how a landscape view can be improved. Rep-ton's proposals for a view to the south of Sexincote House in Gloncestershire are both enchanting and practical: pigstyes, ugly farm buildings and lines of washing disappear to be replaced by an idyllic pastoral landscape with castellated farms. His drawings reveal a lightness of truck and a delilightness of touch and a deli-cacy that is remarkable and he created an understated informality that is very English.

It is tempting, after being seduced by the skills of Rep-ton, to see the Victorian garden designers as representing a decline. There is something pompous and heavy about Sir Charles Barry's great staircase at Shrublands — the elaborate Italian garden in Suffolk which matched his Italianisation of an 18th-century house. I was intrigued to see for the first an 18th-century house. I was intrigued to see for the first time the proposals for a formal garden at the front of Buckingham Palace designed in the 1840's by William Nesfield. This plan would have taken up

Sweno of the Norways.
Their world's a freezing boil-

er-room, and a battery of neon

strip lights transports us to the

women who wait, strange

veiled North African creatures

including an ambitious Reader

of signs and portents swathed in veils and Madame Petrelengi

of the play has already been

described as unnecessarily bru-tal and vandalistic. But it is no

more so than is Kurosawa's Throne of Blood. It is an

extremely fastidious and imagi-

native interpretative response.

and quite different from the

more familiar contrasting

styles of resident directors

The Citizens have presented in the past one of the best spo-ken versions of the play I have heard, with Gerard Murphy

and David Hayman as the Mac

beths. Here, Simon Tyrrell rants rather as a street-fighting

Havergal and Prowse.

This exciting visual re-vamp

bazaar beads.

large slices of Green Park and St.James's and large fountain ponds would have flanked the marble arch.

There was a lack of enthusiasm for the elaborately formal 19th-century garden by none other than William Robinson, the great gardener and writer. He was not impressed by the efforts of Joseph Paxton at the Crostal Pales, which is shown curres of Joseph Paxton at the Crystal Palace, which is shown in the book by a large water-colour by J.D.Harding. Robinson wrote at the time: "There have been a great many ugly gardens in Europe, but at Sydenham we have the greatest modern example of the waste of enormous means in making hideous a fine piece of making hideous a fine piece of

Robinson would have enjoyed the efforts of the great Arts and Crafts gardeners and architects. They flowered in the period 1890-1925 and produced some of the finest English gardens. Jane Brown points out that this was almost the last period when architects were really involved with the garden design. How telling is the comparison between Oliver Hill's water garden at Moor Close, Binfield and his almost abstract rendering of Joldwyns abstract rendering of Joldwyns in Surrey in 1982. The elabo-rate beauty of the water gar-den and the complicated steps rising up to the tall romantic chimneyed house contrast with the clumped trees around the streamlined emptiness of the 1930s modern house.

The 20th-century is patchily represented by drawings; Geoffrey Jellicoe gets the lion's share. His studies made with John Shepherd of the gardens of the great villas were indeed influential, but it his own work that brings the history of landscape into the present. The Moody Gardens on the Gulf of Mexico are designed by Jellicoe to give the visitor an experi-ence of the history of man made landscapes. All his drawings for this extraordinary garden are here, and it is a unique opportunity to see the work of the greatest 20th-century landscape designer.

Throughout this book the thought is prompted of the transience of gardens. They turn to dust in a moment if they are not cared for - in many cases these drawings are their only memorial.

Macbeth, misses entirely the

poetic lyricism but compen-sates as a haunted, headlong,

Banquo's corpse is laid out at the feast in a tin-foil shroud;

Macbeth embraces it in a lung-

ing (ham) roll, a witch dispas-sionately throws a bucket of blood over them. These atten-

dant harpies (one coolly read

by Andrea Hart substituting

for a chicken-pox victim) are also the doctors, women,

adversaries and invisible

knife-bearers. Alastair Galbraith is an

a good Malcolm. Charon Bourke's powerful, Theda Bar-a-ish Lady M is a creditable study in the disabusing of a

fortune-teller. Between the sleep-walk and the offstage cry

(here silent) she stays trans-fixed, horizontal, abandoned, a

picture more of sadness than

quet scene, is a model of con-

This sequence, like the ban-

sbort-haired murderer.

Colin Amery

# Death in Venice

Glyndebourne, first home to The Rape of Lucretia and Albert Herring gave on Saturday a resounding welcome to the last of Britten's operas. Death in Verice was composed for and first performed at the Spape Maltings but one may the Britten tenors, comes to the role of the Britten tenors. at the Snape Maltings, but one may wonder whether the score has ever sounded fuller, richer in colour and content, more beautiful, there or any-where else, than it did in Glyndebourne Touring Opera's new production (spon-sored by Hays plc and the Britten

Estate).

There are indeed many remarkable There are indeed many remarkable features about the performance, in perticular a triumphant assumption of the opera's leading role by Robert Tear, but the dominant impression was of musical mastery almost from first note to last (the small qualification needed only because once again doubts arose about the length of the beach-games episode in Act 1). The pacing and texturing of a music drama which in larger theatres can seem at some times too even-temcan seem at some times too even-tem-pered and at others too "thin" was here effortlessly right and enthralling, the narrative unfolding proceeded with sov-

ereign ease. Graeme Jenkins and the London Sinfonietta drew from the score a glittering sound-tapestry. The constant threading through the action of graphic place-and-time images, and the constant dis-covery of new ways of capturing light, air, and water in music, make this an opera of extraordinary physical vitality, and the performers (including the mag-nificent Glyndebourne Chorus) seemed to respond with delight.

Death in Venice with its interpenetra-

tion of backward glances right across the length of the Britten canon, has been called "perhaps ... too much a self-conscious summing-up of a life's work". I can only report that at Glyndebourne Britten's last opera gave instead

tive Britten tenors, comes to the role of Aschenbach at the perfect stage in his career: with artistic maturity in full flower but with vocal powers entirely undiminished. The slight self-consciousness of enunciation, phrasing, and tone-shading that one recalls from some of his many "character" assignments is rubbed away; the part is layered with fine physical detail, which is then peeled down with enormous courage and power - and, above all, passionate vigour, vocal and emotional. He does vigour, vocal and emotional. He does not shirk (as, in my view, Peter Pears did) the full implications of a voyage into sensual self-discovery which hrings with it both life and death. The essential honesty of Mr Tear's approach supplies the production with its special qualities of energy and boldness.

Stephen Lawless quite properly makes this tremendous performance the centre of his staging. Tobias Hoheisel's set, opening up via sliding hlack panels to be revealed as a central stage box with moveable apertures, works as a labyrinth in which new passages are uncovered and others suddenly closed:

uncovered and others suddenly closed: Aschenbach is its explorer and, finally, its object of exploration. The construction (superbly lit by Paul Pyant) offers a whole host of fertile, perceptive visual metaphors, but it never quite opens up to "show all" as the mera's subject and to "show all" as the opera's subject and psychological pattern would seem to quire. The available space for Martha

Clarke's choreography (which steers clear of Ashton-like formal set-pieces) is at times pinched; the figure of the Mother goes for less than it should, and even Tadzio, clothed in the same sailor-suit white-and-bine as his companions, the feeling of consummate naturalness
- and, more important, of being a boldly forward-looking creation, open- Zeplichal is boyishly attractive but not



of such startling beauty as to compel the eye wherever he goes. The crowding of the stage during the strolling players' grotesqueries needs attention.

Against this, one sets the wonderful fluidity of Mr Lawless's movement from scene to scene. His production is filled with sharp, distinctive touches (surreal

with sharp, distinctive touches (surreal luminous gondola-poles, doors that open and close to mark crucial moments of self-knowledge, a Muranoglass chandelier) conjuring np Venice without ever crudely specifying it.

The decision to hring the offstage Apollo on-stage, an equivocal figure in

gold body-paint and cream suit, is justified (and Michael Chance's singing is incomparably fine). Smaller roles are exactly touched in - Gerald Finley (English Clerk), Christopher Ventris (Hotel Porter), and Jonathan Veira (Hotel Waiter) make particularly inci-sive and well-sung contributions. With all the small criticisms already mentioned I thought this a landmark in Glyndebourne Touring Opera annals. It opens a new chapter in the opera's performance history.

Max Loppert

# Divertimento No.15

HIPPODROME, BIRMINGHAM

With the success of last season's staging of Theme and Variations, Sadler's Well's Royal Ballet was justified in feeling that more Balanchine, and more difficult Balanchine was in order. Thus one of Bal-anchine's most serenely bril-liant pieces, Divertimento No.15, has now been acquired. The dialogue between the cho-reographer and his Mozart score is uniquely felicitons, dance everywhere matching

form and melody.

The movement sings, the colloquies between the dancers and their steps resulting in enchanting portraits of hero-ines and their cavaliers, as true as any in Cosi or Figuro. We have lately had a chance

to see New York City Ballet gloriously on form in this work. I cannot say that the performance I attended on Satuday afternoon in Birmingham was as apt or bright as the first step has been made on

the right path.

The dancers are learning to reject those English vices of charm and milky grace —
always a refuge when the
going sets tough — and to seek
ways of rejoicing in the absolute clarity and definition of
Balanchine's inventions.

I thought Ferral Donovan

I thought Karen Donovan came to the ballerina's varia-tion with suitably bright and speedy feet, and I enjoyed Mir-elle Bourgeois' delight in her solo. Peter Farmer has pro-vided discreet costumes: SWRB's artists have a masterpiece here for their - and our delectation.
The afternoon also brought

an exceptional account of Ashton's The Dream. After 25 years the critical eye is more likely to be saddened by the depredations wrought by per-formers' insensitivity, than gladdened by freshness of NYCB's (and I note that it was interpretation. But SWRB's given by the second cast), but cast offered sincerity, sensitiv-

ity, and a welcome feeling for Ashtonian elegance of means, Michael O'Hare was a dramat-ically incisive Oberon, Sandra Madgwick a sparkling Titania (missing only the last touch of femininity that Antoinette Sib-ley brought to the closing

An excellent quartet of lov-ers came from Chenca Wil-liams (adorable in her bewilderment) and Samira Saidi, Mark Welford and Stephen Wicks (Basil Fawlty as a Hus-sar). Tony Fabre, a new recruit from the Bejart troupe, was a dazzling Puck. The Dream has not looked so delightful and so

evergreen a joy for years.

Birmingham has much to nticipate from its own Royal Ballet, and has already pro-vided an excellent home for it in the Hippodrome, But how lowering to the spirits the underpasses and rat-mazes that lead to the theatre!

Clement Crisp

# Joe Jackson

HAMMERSMITH ODEON

Joe Jackson performed his new album, "Blaze of Glory" in its entirety to an eager, expectant audience at the Hammersmith Odeon on Friday night.

It was a brave step, but Jack-son has never been one to play safe in what has been an extraordinarily varied ten-year career. In the late 1970s he was at the forefront of British "new wave", crossing the spltting energy of punk with the sharply observed quirkiness of British pop.
Since then he has moved

from angry pop to reggae to jazz to film themes to orches-tral instrumentals and back, all the time adding his own peculiar, loose-limbed wit and style to form a consistently entertaining, and enlightening body of work.

This variety was there for all to see at the Hammersmith Odeon, Jackson topping and some selection of his best was fitted in a baggy purple Songs.

"Is She Really Going Out With Him?", and "Different for Girls", probably his best known singles, were rearranged to bring out the sly, subtle hnmour overlooked when they first appeared at the end of the 1970s. Near the end Jackson dusted off a swinging medley of "Jumpin' Jive" numbers, before closing with the frenetic power pop of "I'm the Man" and the cool balladry of "A Slow Slong".

Good as this selection was, the real meat of the sandwich was "Blaze of Glory". Although Jackson was quick to deny the existence of a "concept" behind the album, a clear chronologi-cal order could be identified and a jazzy, Tin Pan Alley sophistication underpinned the

shifting rhythms and strong melodies of each song.
"Tomorrow's World" dealt with the wide-eyed optimism of childhood, "Rant and Rave" with the foolish bravado of adolescence. "Evil Empire" was an adult attack on superpower politics, while "The Human Touch" was a world-weary love song of simple elegance.

Throughout the long set Jackson led his excellent ten-piece band with an easy confidence, singing with a power and range than he has rarely displayed in the past.

suit, he drank hot tea from a thermos flask between songs and he wore unbelievably unfashionable sandals and socks.

This remains part of his enduring appeal. A singer and songwriter who has never bowed to the changing demands of fashion, Joe Jackson continues to plot his own entertaining course through the shifting seas of pop.

Patrick Harverson

VICTORIA PALACE

More than 30 years after "the day the music died" the skinny little figure in thick horn-rims exerts his magic on a packed house. Buddy Holly was killed in a plane crash in his early 20s after less than two years of success, but his influence lingers. (In Britain the immediate result was Adam Faith, but we won't hold that against him.)
This biographical musical does This biographical musical does much to explain the mystique. Anyone with the slightest sym-

Alan Janes' book is a peg to

hang the music on, but like Rob Bettinson's production it evokes an era with affection to songs (and how innocent he

Andy Walmsley's mood-set-ting design consists of 1950s advertisements that fly or slide apart for the requisite record studio, radio station or living room. The magnificent background for the concert, replete with glitter balls, is echoed by the detail of Bill Butler's costumes, down to the backing girls' flounces and men's bow-ties. Musically, the show is scrupulously prepared – and live: a fit frame for the Philadelphian Paul Hipp, who cap-

seems now, a streak of wistfulness even in his hounciest numbers). In the middle of the full company's "Rave On" there is a sudden black-out; then a guitar on an empty stage and the radio announcement of Holly's death. "The rest will be just rock and roll." Ultimately, your reaction to this superbly presented show from the Theatre Royal, Plymouth, depends on how you take the music. I loved it.

**Martin Hoyle** 

pathy for early rock should go, partly for nostalgia, partly for the songs, and partly to show their children.

trolled, innovative staging. Michael Coveney

# ARTS GUIDE

MUSIC London

Royal Philharmonic Orchestra conducted by Vladimir Ashken-azy, with Cristina Ortiz (piano), Wagner and Richard Strauss. Royal Festival Hall (Tues) (828

8500).
Tokyo Philharmonic Orchesira conducted by Tadaaki Otaka, with John Lill (plano). Bossini, Rachmaninov, Tchaikovaky. Barbican Hall (Wed) (638 8891). London Mozart Players conducted by Jane Glover, with Imogen Cooper (plano). Mozart, Haydn, Beethoven. Royal Festival Hall (Wed) (\$28,8800). City of Birmingham Touring Opera in the first London performance of Ghanashyam, a mix-ture of music, song and dance by Ravi Shankar. Director Gra-ham Vick. Queen Elizabeth Hall (Thur) (928 8800).

Ensemble Orchestral de Paris Ensemble Urchestral de Paris conducted by Armin Jordan with the Vittoria d'Ile de France choir conducted by Michel Piquemal. Haydn's Creation (Tue). Salle Pleyel (45638873). Orchestre de Paris conducted by Sian Edwards, Rafael Orozco, (piano). Tippett, Liszt, Janacek (Wed, Thur), Salle Pleyel (45050/35). Munich Philharmonic Orchestra conducted by Sergiu Celibidache, Bruckner (Wed, Thur). Bastille

Brussels

Tokyo Philharmonic Orchestra conducted by Tadaski Otaka, with Yuzuko Horigome (violin). Dvorak, Shostakovich and Yoshi-matsu. Palis des Beaux- Arts

(10es). Royal Flanders Philharmonic Orchestra conducted by Frank Shipway, with James O'Neal (tenor), Jard Van Nes (mezzo). Mahler's Das Lied von der Erde

Netherlands Philharmonic Orchestra with Dong-Suk Kang (violin), Ken-Ichiro Kobayashi conducting, Saint-Saens, Berlioz

Royal Concertgebouw Orchestra conducted by Riccardo Chally, with Edda Moser (soprano) and the female voices of the Nether-lands Philharmonic Choir. Behussy, Maderna, Heppener (Thur). Concertgebouw (718 345). Academy of St Martin-in-the-Fields Octet with Emmy Verbey (violin). Schubert, Mendelssohn (Wed). Beurs van Berlage.

Shura Cherkassky (piano). Han-del, Weber, Chopin, Berg, Tchai-kovsky, Strauss (Wed). Vredenburg (31 45 44).

Melos Quartet with Francois Guye. Schubert (Tue). Doelen (413 2490). Amsterdam Baroque Orchestra with the choir of the Netherlands Bach Society and soloists, Tom

Koopman conducting, Mozart (Thur), Doelen (413 2490). Rheinland Pfalz Philarmonic

#### October 13-19

Orchestra and Stuttgart Philhar-monic Choir conducted by Mil-tiades Caridis, with Elisabeth Richards (soprano), Erika Schmidt-Valentin (contralto), Volker Horn (tenor), Waldemar Wild (bass). Beethoven pro-gramme (Wed). Auditorio Nacionalde Musica (337 of 00).

Redelfo Bonucci (violin) and Rodato Bonucci (violin) and Bruno Canino (piano) playing Petrassi, Brahms, Stravinsky and Ravel (Wed). Teatro Olim-pico (398304).

Pittsburg Symphony Orchestra conducted by Lorin Mazzei. Tchaikovsky, Beethoven (Mon). Teatro Alla Scala (80.91.28).

**New York** Carnegie Hall. Andras Schiff piano recital. Haydn, Janacek, Bartok, Schubert (Thur) (247

7800). New York Philharmonic Orchesrew rock runnarmonic Orches-tra conducted by Leonard Bern-stein. Copland programme (Thur). Avery Fisher Hall (874 2424).

Washington

Cleveland Orchestra conducted by Christoph von Dohnanyi, with Ralph Kirshbaum (cello). Maxwell Davies, Weber, Tchaikovsky (Wed). Kennedy Ceoter Concert Hall (467 4600). National Symphony Orchestra conducted by Philip Brunelle with Garrison Keillor, guest art-ist bringing his Lake Wobegon programme (Thur), Kennedy Center Concert Hall (467 4600).

#### **SALEROOM**

### Competing Picassos

A few years ago Picasso looked like a husted flush, his long term art historical reputation term art historical reputation threatened by his personal lon-gevity; his disconcerting artis-tic innovation; and the sexual threnody of his later work. All that has changed and he is cur-rently the hottest artist around, with two of his pictures competing for the "most expensive work of art ever sold at auction" award.

At Sotheby's in New York on November 15 "Au Lapin Agile," an important Rose period Picasso, reflecting his fascination at the age of 25 with Harlequins and the circus, is expected to make around \$50m, with a good chance that it might overhaul Van Gogh's "Irises," for which Mr Alan Bond paid \$53.9m in On November 30 in Paris the

dealer Jean Claude Binoche is offering "Les Noces de Pierette," also painted by Picasso around 1905, at ths Drouot Montaigne saleroom. It carries an estimate of 300-400m francs, which converts to up to \$60m. However this long lost work, with the first intimations of Cubism. is unfinished. In addition there is no guarantee that the French Government will allow it to leave France. In part the very high esti-

mate is designed to deter such an expenditure of Government cash, and the hope is that its successful sale will re-establish Paris as an important centre of the art market, However it does make the estimate more conjectural than usual. The Sotheby's Picasso is on show in Bond Street until Tuesday evening along with

two other important works hy the artist, "The Mirror" of 1932, a languorous portrait of Mariein its line (estimate up to \$25m) and "Mère et enfant," a 1921 maternity portrait painted in the year his son Paulo was born (estimate np to \$15m). Among other important paintings on display is a very fine Gauguin, "Entre les Lys," painted in Brittany in 1889, and

estimated at up to \$9m. For over 40 years it has been in the Basle Musuem of Art. Unfortunately the family discovered that 98 per cent of its fortune was on loan to the museum so it is selling the Gauguin in the hope that the rest of the collection can stay on public show.

**Antony Thorncroft** 

#### Heidsieck awards

The first RPS/Charles Heidsjeck Awards, the classical music industry's answer to ths Olivier drama awards, were announced yesterday. Among the prize winners were the LSO, judged the best large scale ensemble of the year; the Nash Ensemble, who won among the smaller groups; Simon Rattle as conductor; the Wigmore Hall Haydn Festival for concert series: Leontine Vadnya, the heroine of the

Royal Opera's Manon, for best debnt performance; Olivier Messiaen for best large scale composition; Simon Hoit for best small scale composition; Glyndebourne, whose Jenufa was voted opera production of the year; and Philip Langridge

as singer.

The Charles Heidsieck
Awards for an ontstanding
contribution to Franco-British music went to Pierre Bonlez and Moura Lympany.

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#### FINANCIAL TIMES

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Monday October 16 1989

# The lessons of experience

TWO YEARS AGO, the collapse in the world's stock markets was widely — and to be too strong and the mark markets was widely - and incorrectly - regarded as a hammer blow to the international economy. Whatever happens to share prices today, that indgement about the outlook for the US and the world seems unlikely to be repeated.

We now know from experience that monetary anthorities can contain the deflationary damage of a stock market crisis. Last time round, indeed, the stimulative effects of lower interest rates easily out-weighed the deflationary impact of the paper wealth wiped out in the crash. But the wiped out in the crash. But the apparent response of the US Federal Reserve to last Friday's shock is perfectly correct if stands ready to loosen the monetary reins as necessary.

One reason for this is that

the US economy may now have a slight tilt towards recession. The slowdown seems set to be gentle, but the economic consequences of a steep decline would be serious. Corporate leverage has grown, and been extended to cyclical sectors such as the airlines and retailers whose difficulties helped to

trigger the present upheaval. The international economic cycle has now seen seven years of expansion. There is no law that says a recession must soon occur, but the older a cycle becomes the more vulnerable it is to financial shock.

It is true that the risks of stimulative action may be sharper than they were in 1987, mainly because inflation is higher around the world. On balance, however, the weight of argument points towards an easing of monetary policy, at least in the US. This is emphatically not because inflation is more desirable than recession, but for three other reasons.

#### Weaker tone

The stockmarket slide is both a symptom of, and a potential contributor to, a weaker tone in the US economy. The balance was tilting in favour of rather easier monetary conditions even before Friday: the potentially defla-tionary impact of a sharp setback in equities ought now to

and yen to be too weak relative to a best guess of the underlying trends. From the UK perspective, an overall easing in world conditions would obviously be a good thing.

Finally, the problem with the policy response to the 1987 crash was not that it was too aggressive, but rather that it was sustained for too long. This time, the Fed should again act confidently and as boldly as market conditions require. But it must be vigilant about inflation, and ready to tighten the reins once any immediate crisis is past.

Such action could not guarantee the stock market against another steep decline. On this, the lessons of history point two ways. Price earnings ratios in the US and Europe are substantially lower than two years ago. but they are not particularly low by past standards. The outlook for profits growth is now now much poorer than it was. If one looks forward to future profit levels, price earn-ings ratios may be much closer to where they stood before the

#### Speculative excesses

Speculative excesses are dif-ferent but - at least in the US - not necessarily less than they were. The general public has not been caught up this time in a frenzy of share buy-ing. Instead it is the banks who may have been behaving imprudently, by their willing-ness to finance highly geared

Interest rates in the US have heen declining in recent months, whereas they were climbing ahead of the crash. But it is not apparent that the decline can be sustained, at least in the yields on long dated debt, given a more uncertain outlook for inflation.

All the same, there are good reasons to hope that the world is adjusting to a slower rate of growth without plunging into a full scale recession. This rea-sonably positive outlook for the world economy is not

# A regime for Antarctica

SINCE 1961 the Antarctic Treaty has been held up as one of the few genuinely successful examples of international cooperation. The treaty has kept this vast continent demilitarised and free of super-power rivalry; broad agreement on conservation measures has protected more or less intact Antarctica's exceptional environment.

However, the fast-evolving international awareness of environmental issues has thrown a spotlight on Antarctica both because it is the last virgin continent and as a result of the scientific research pioneered there relating to the hole in the ozone layer. The treaty is due to expire in 1991 and this could throw open the whole question of whether or not the continent's potential resources, especially hydrocar bons, can be exploited. Although such exploitation is still a remote possibility, tech-nological advances and improvements in communications have undermined the gentlemanly assumptions inherent in the original treaty.

The 39 parties to the treaty, who have traditionally conducted their affairs almost exclusively at a technical level, are showing signs of fundamental differences over their approach to the fate of Antarctica. These differences have come to the fore - though far too privately - at the 15th meeting of consultative parties to the treaty now taking place in *Paris*.

#### Odd assortment

The treaty countries are an odd assortment. The 12 original signatories were Argentina. Australia, Chile. Bslgium. France, Japan, Norway, New Zealand, South Africa, the Soviet Union, the US and UK

 reflecting a mix of interests from historic seafaring and colonial to geo-strategic. A further 10 countries have become grounds that they have demonstrated a direct scientific interest in Antarctica and 17 others have acceded to the treaty.

None of these countries dispute the need for an international regime to preservs Antarctica's special status. The argument is whether to freeze indefinitely - and probably for

all time - any development of the continent's resources. Alternatively, resource development would be permitted under rigid safeguards and in the context of the 1988 Antarctic Minerals Convention, agreed after six years' laborious negotiation but not yet ratified.

The conservation argument championed by Australia and France, appears to reflect domestic electoral considerations rather than environmen-tal altruism. Their proposal is to convert Antarctica into a "Wilderness Park", which would ban mining and regulate man's activity, including tourism. This plan differs from that of Greenpeace, the environ-mental pressure group, only in the latter's concept of policing through a genuinely international organisation beyond the confines of the treaty parties.

Realistic approach Britain and the US argue

there could come a time when Antarctica's resources might be needed. They maintain it is far better to be prepared for such an eventuality. This is a more realistic approach, and the existing Minerals Conven-tion could easily be strength-ened, as Chile and New Zealand are suggesting. Already under the guise of science a good deal of research activity, not least by the Japanese, has been devoted to ascertaining the potential of hydrocarbon resources and other minerals. It is hard to see this stopping.

The prospect of gaining advantage, or preventing others from doing so, lies at the heart of the territorial claims staked by seven nations to Antarctica (Argentina, Australia, Chile, France, New Zea-land, Norway and the UK). Although these claims are not internationally recognised and in several cases are overlapping, no country has indicated any willingness to abandon them. Forgoing such claims to a new regulatory body composed of the treaty states would be a useful departure in considering a properly regulated future for Antarctica. It would also help if the treaty countries recognised the public interest in their deliberations

# Peter Riddell on the mood of resigned cynicism surrounding the US budget

ater today about \$16bn will be cut across-the-board from US Federal Government spending as a result of the failure of Congress to pass legislation to reduce the Budget deficit to the

statutory target.

in itself the sum is not large —
around 1.5 per cent of overall Federal
expenditure — and is likely to be
reversed within a few weeks. But the
imposition of these cuts, known as
sequestration, symbolises the breakdown of the Bush administration's
attempt to secure hispartican agree. attempt to secure bipartisan agreement on the reduction of the Budget deficit.

The manoeuvring of recent weeks has resulted in a mood of resigned cynicism about the whole Budgetary process and has brought renewed calls for reform of the 1985 legislation for a series of annual targets to reduce the deficit - known after its senatorial authors as Gramm-Rudman-Hollings. It is now more usually called Gramm-Rudman since Senator Ernest Hollings has said he wants to be divorced from "the fraud that we have all perpetrated on the American

mr Dan Rostenkowski, the chairman of the tax-writing House Ways and Means committee, has described this year'e budget discussions as "mindless" and an abdication of responsibility by the President and Congress. Instead, he believes that semestration cuts under Grann-Pud. sequestration cuts under Gramm-Rud-man may be preferable and result in more real deficit reduction.

In short, the US Budgetary process is in a mess — not, of course, for the first time. Gramm-Rudman was devised to restore discipline as a result of a fiscal crisis in 1985, and further difficulties - together with the stock market crash of October 1987 - led to a short-lived sequestra-tion and an adjustment of the targets two years ago.

By contrast, now, there are no immediate pressures from the financial markets, either on Wall Street or internationally. The budget situation played no apparent part in the slump in share prices late on Friday, though this latter could now add to the urgency of agreeing a budget. And furthermore there is no clamour from the American public to cut the deficit. The current crisis is much more of relations between the Republican White House and the Democrat-con-

**Gramm Rudman Hollings** is now more usually called Gramm-Rudman since Senator Ernest Hollings has said he wants to be divorced from the 'fraud that we have all perpetrated on the American people'

trolled Congress. Both say they regard a reduction in the deficit as crucial to the US's long-term eco-nomic well-being — of ensuring that tip the balance.

Second, an easing by the US at present would coincide with a significant tightening of policy in the rest of the world. At the world are significant tightening of policy in the rest of the world. At the world are significant tightening of policy in the rest of the world. At the world are significant tightening of policy in the rest of the world. At the world are significant tightening of policy in the rest of the world. At the world are significant tightening of policy in the rest of the world. At the world are significant tightening of policy in the rest of the world. At the world are significant tightening of policy in the rest of the world. At 1980s. Yet they lack the will to act, and the pressures to force them to do

President George Bush took office at the beginning of this year talking the language of concillation about a bipartisan approach - unlike his confrontational predecessor, Ronald Rea-gan. The snag was that last year Can-didate Bush had blocked off a key option with his repeated "read my lips

no new taxes" pledge. And with
previous deficit-cutting packages having removed some of the spending fat, Cracks that can't be papered over

any further action would involve tough choices - with the administra-

tion and Congress, either separately or together, taking responsibility.

The first result was a fudge. Mr Bush and Congressional leaders stood in the White House Rose Garden in mid-April to announce an agreement on the Budget for fiscal 1990, starting at the beginning of this month. It fulfilled the Gramm-Rudman target of reducing the deficit to below \$100bn. But even its supporters described the deal as "unheroic" and everyone else regarded it as sham resting on over-optimistic economic assumptions and dubious expenditure savings. Dubbed a "slide-by" budget, it was intended to keep up the fiction of deficit reduction while defering serious negotiations until towards the end of this year when sufficient tims would have passed for "no new taxes" to be

The cracks have proved impossible to paper over, partly because Congressmen cannot resist adding tax breaks and new spending programmes for their constituents. These include sizeable reliefs on transfers of estates as well as special interest con-cessions to pineapple and banana growers — and even renters of tuxe-

More important has been a long and bitter row resulting from the White House's desire to cut capital gains tax. This is intended to stimulate enterprise and investment. But a cut has been depicted by the Democratic leadership as primarily helping the already well-off. There is little dispute that in the short-run a sharp reduction in capital gains tax will boost sales of assets, and thus tax revenue, but Democratic economists have argued that after a couple of years there will be large revenue losses.

This row has poisoned the political atmosphere. The White House succeeded in winning over sufficient conservative Democrats (mainly from the South and timber-producing states which would benefit) to join with the Republicans to win approval for a two-year cut in the tax. The tempo-rary nature of the cut has provoked further criticism. It is this issue together with other "extraneous" provisions cutting taxes or increasing spending - which last week held up the deficit reduction bill in the Sen-

Mr Bush and his fellow Republicans believe they are on to an eventual winner on gains tax. They are proba-bly right since there appears to be a majority in both houses for a cut on a permanent basis, possibly with a slid-ing scale giving larger relief the lon-ger an asset is held.

The Democratic Congressional leadership - headed by the consensus-seeking Senator George Mitchell and Speaker Tom Foley – are furious. They believe the Administration not only has dsstroyed the bipartisan spirit of the summer but also has acted irresponsibly in putting a tax cut for the rich ahead of deficit reduction. They also argue that this com-promises Mr Bush's initiatives on drugs, education and Eastern Europe where promises are not backed by a willingness to provide resources.

A direct result is that Mr Richard Darman, the Budget director, who has enjoyed the reputation as Washington's cleverest operator, bas had to concede that bipartisan talks planned

with strategic planning." In another first for Sammi Steel, Merrill Lynch is launch

for it in the Euromarkets this

end to the ambition. Over half

the North American products will go to Korea for the coun-

In a use of statistics not pre-

viously known to me, a Sammi

director explained: "There is an average of 156 kilos of Sammi steel in every automo-bile made in Korea." The view

is that whatever happens elsewhere, there will be no reces-

As for Mrs Madison, "she liked California," her husband

says. "Toronto will be some-where between Sheffield and Los Angeles."

iar is about the man who

man in the same predicament who, as he passed his own office, heard the telephone

■ Kieli Magne Bondevik, Nor-

way's new Foreign Minister, is also leader of the Christian People's party leader, and has already expressed concern about alcohol consumption

To what extent his pledge

remains to be seen. There is

could be the most concrete

change in Norwegian foreign

policy arising from the change

to curb drinking at official functions will be put into effect

speculation, however, that this

in the diplomatic ranks.

End to skol

ringing.

try's booming car industry.

week. There seems to be no

*Observer* 

U.S. FEDERAL BUDGET PERICIT. 1985 1987 Buch Bal 171-9 .221-2 221-2 149.7 149.7 108-0 144-0 155-1 72.0 136.0 170.2(161) 36.0 100.0 948(41) 64-0 64-2 1992 (Minus figures equal surplus) \* figures in brackets are estimates by Congressional

Budget Office; for 1989 estimate of outturn and for 1990 projection before taking account of \$11bn to \$13bn budget-cutting packages before Congress. Otherwise source of figures in Budget Office

for now will have to be put off until at least early next year. Privately, Congressional leaders are saying that no agreement will be possible to achieve the much larger, \$400n-plus, deficit reduction required for fiscal 1991, especially as there are elections next year. So the administration will have to produce the answers on its own.

In the short term, sequestration ' cast higher economic growth and will mean cuts evenly distributed lower interest rates, and hence a tionary programmes (that is, exclu-ding social security). The main immediate impact will be small reductions care health scheme. But before long a budget packet will be agreed to cut the forecast deficit to near the \$100bn for fiscal 1990; there is a \$10bn leeway anyway. However, no-one believes that the deficit will turn out near that level; somewhere in the \$140bn to \$160bn range, as in the past three years, is a common projection - or rather - guess.

man is inherently flawed. It is not a discipline on real spending, but on forecast levels of spending. There are a series of loophole • The revenue and spending projections are heavily dependent on the

economic assumptions used. The Reagan Administration consistently forecast higher economic growth and mists. And the Administration's projections rather than those, say, of the Congressional Budget Office are binding. The Bush Administration's economic forecasts have been less unrealistic - in part because of strong growth - but they are still, inevita-bly, at the optimistic end of the range. There is wide scope for accounting fiddles, in particular shifting expenditure and revenue between fiscal years. For instance, the Pentagon's payday was shifted to September 29 from October 1 and there was a simi-

lar adjustment in farm price-support payments to cut the deficit for fiscal 1990 by \$4bn and raise the figure for fiscal 1989 by a similar amount. The US Post Office, with a deficit of \$1.7bn, has been shifted off-budget.

There are no penalties for exceeding the deficit target once a fiscal year has started. Once the sequestration order has been issued it does not matter what additional expenditure is decided. There is no clawback either during a fiscal year, or subsequently, for missing the target, which encourages transfers between years and spending money before the end of the ages transfers between years and spending money before the end of the year in September. For instance, it was decided in July that \$20bn of the \$50bn initial cost of rescuing insolvent savings and loan institutions (building societies) would come within the budget and in the 1969 fiscal year. There was a scramble to spend the money in less than two months; in the end roughly \$50n was left unspent. But the remaining \$30bn of the rescue coming in the current 1990 fiscal year was counted outside the budget, and therefore does not figure in the default calculations. in the deficit calculations.

in the deficit calculations.

Consequently, Gramm-Rudman is widely seen as a defective tool—encouraging short-term expedients to massage the figures rather than acting as a discipline to produce lower deficits. Federal organisations engage in deals with small immediate outlays but lower term costs.

but large long-term costs.

Given all these loopholes it is perhaps surprising that the deficit has fallen at all. Admittedly, in the absence of strong market and political pressures, it has remained broadly static in cash tarms for the last couple of years. But the abare of the deficit in US Gross National Product has clined from about 6 to 3 per cent since 1985. While the strong economic growth of the late 1980s is responsible growth of the late 1880s is responsible for most of the drop, without GrammRudman the deficit would undoubt edly have been higher. The law has helped to allow the growth both of overall spending and, since 1985, has reversed the earlier sharp rise in the Pentagon's budget and cut back payments to doubter and bentital under ments to doctors and hospitals under Medicare and Medicaid. It is, as Sena-tor Phil Gramm, the law's co-author, said yesterday, "the only century at

Mr Robert Reischauer, the director of the Congressional Budget Office, concludes that Gramm-Rudman has concludes that Gramm-Endman has "worked, but not worked well. It has imposed a lot of pain and suffering on the political process to achieve fairly modest results. It is not a thing to keep up for a long period of time. It is destructive of the political process."

The inherent weaknesses of Gramm-Eudman and the political costs have made early reform virtually certain. The main focus is on the surplus of the social security trust. surplus of the social security trust fund — a payroll tax to pay pensions in later years — which is now counted within the deficit and is expected to be about \$68bn in facal 1990, rising to over \$100bn within three years. By including this surplus within the deficit, the government is in effect spending now at the expense of future bene-ficiaries. There is bipartisan support for separating social security from the rest of the budget and extending the goal of achieving a balanced budget from 1993 until the late 1990s, as part of a general strengthening of the law. involved said that if international investors and markets concluded from recent events that the administration

was not serious about reducing the deficit and would just middle along, they would be right. This reflects the short-term "now-nowism" which Mr Darman himself so eloquently attacked as one of the main fils of US society. But in the absence of a political or market crisis, muddling along and short-term management seem to be characteristic of the Bush Adminis-

#### Lot of firsts for Sammi

■ Not many British industrialists work for Korean companies. George Turnbull, the man who moved from the old British Leyland in the 1970s to help build up Hyundai Motors, was one of them. Another is Dr Roland Madison

of Sammi Steel. Madison, now 43, was born in Grimsby, did his metallurgy and engineering studies in Sheffield and used to work for a Sheffield-based company called Osborn Steels. It closed

Oeborn Steels, however, had a technical services division which specialised in advising other steel companies. One of them was the Sam Yang Special Steel Company of South Korea, now known as Sammi Steel Co, Ltd. Sammi Steel may be about to become if it has not done so already, the biggest special steel producer in the world.

Madison married a Korean in 1977. She did not much like England, and he switched to the Korean company when Osborn shnt down. Since then he has done a long stint mar-keting Sammi products in Los Angeles, though he has also worked in Korea itself. "The working language when I'm around is English," Madison says, but he adds that Korean is not too difficult. "I can get around in it quite easily.

Now Madison is setting up in Toronto, for in August this year Sammi Steel acquired a number of stainless and special steel plants from Rio Algom, a Canadian subsidiary of Rio Tinto Zinc. It was the first major overseas acquisition by a Korean company. Two plants in the US went with the deal.

Madison's job will be to look after the co-ordination of all the North American plants, as well as the marketing strategy. Tm still basically an engineer," Madison said in London on Friday, "but in the last few years I've been more involved



"I hate black Mondays."

in government in Oslo. Because of their large oil While we wait industry, Norwegians have earned the nickname ■ Two stories always come "blue-eyed Arabs". Should back whenever there is a stock Bondevik ban alcohol at minis market crash. The more familterial receptions, Norway will have taken a step closer jumped from the roof and was asked as he passed the 13th floor how it was going. "All towards the religious funda-mentalism practised by some of its oil-producing friends in right, so far."
The one I prefer is of the the Middle East.

Yet there may be a hitch. Carl I Hagen, the Progress Party leader, on whose tacit support the new government depends, would like Norway's restrictive alcohol policy to

On the other hand, Hagen also favours legalised casino gambling. That could attract some of the Arabs to Norway.

#### Vive Napoleon

■ The ubiquitous Kenneth Branagh has probably had pub-licity enough. Still, anyone who has not yet seen it should try to catch up with his direc-tion of John Sessions in Napoleon the American Story at

Anyone who likes outrageously bad puns and a touch of camp acting, that is. It is a one man show of amazing virtuosity. One way of viewing it is to see how many of the allusions you catch. As for bad puns, there is Napoleon com-ing from Corsica and being "hoist by his own patois". When he sits down at the end in St Helena, he composes Nap's Last Tape. The final note is Je ne regrette rien, played very loud by Piaff. Oddly enough, Sessions still manage to tell the Napoleon story.

#### Commonwealth Here is at least one vote of

confidence in the future of the Commonwealth, whose Heads of Government Conference (known to diplomats as CHOGM) opens in Kuala Lumpur this week. Richard Bourne is starting a fortnightly Commonwealth Newsletter.

It will be called just that —
Commonwealth Newsletter

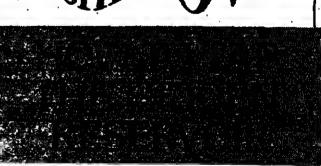
 and will be modelled on such publications as Africa Confidential and, Bourne says, even more so Latin American Newsletters. Both those publications have managed to serve a specialist public around the world over the years with items that would not always reach the newspapers in any detail.

Bourne spent the last six years as Deputy Director of the Commonwealth Institute in London. Before that he was a journalist on New Society and the Guardian. One of his other great interests is Brazil. A charter issue of Common-

wealth Newsletter will be available in Kuala Lumpur. Publication proper starts in January,

#### Inside tip

Advertisement in a Norfolk newspaper: "For quick sale. Rowing machine, portable sauna, weight-lifting gear and several track suits. Owner going abroad."



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John Jennings, head of Shell's worldwide exploration and production talks to Steven Butler

# Linking gadgets with reserves

oil industry is expecting, if not actively betting on, an oil supply crunch in the next decade - when demand, stoked by an era of low prices, finally catches up with the surplus of supply capacity and prices race ahead.

rices race shead.
Yet the world's biggest oil company, Royal Dutch/Shell, is placing its bets elsewhere. Mr John Jennings, group managing director and head of Shell's worldwide exploration and production effort last worldwide. worldwide exploration and production effort, last year became the most prominent pessimist of the oil producers when he said oil prices were unlikely to rise much in the coming years, if at all.

The repid increase in oil demand this year has won new adherents for the high price scenario almost by the week. But Mr Jennings has not changed his view that sustained price rises above \$20 a barrel are unlikely. Part of Mr Jennings' doubt is based on an intimate under-

standing of how much has changed in the business of finding and producing oil. Progress in a number of technologies has produced a minor

HERBERT AND THE STATE OF THE ST

revolution in oil exploration.

"Most of the time it was like this," he says, waving his open-fingered hands in front of his face, "and you couldn't tell whether it was a man or a woman standing behind the

Mr Jennings is talking about seismic surveys, the technology used to locate underground reservoirs by bouncing sound waves off rock formations within the earth and try-ing to reconstruct them by the shape of the echo.

Because of recent advances, he says, "The quality of the data has gone from the earliest gramophone needle to the CD. You can actually see what you are doing. You drill holes where you want to drill them the first time." the first time."

It remains to be seen how much impact new technology will have on oil supplies, but it bas already transformed the outlook for oil companies like Shell, it has made it possible

ost of the world's for Shell to think of making money at the prices Mr Jennings envisions, and, perhaps as important, helped to revive a sense of excitement among the oil explorers, who are once again blazing new trails.

"During the period of very high oil prices, and conse-quently very high upstream margins, we in the industry got ourselves into a rather unhealthy state of feeling extremely confident of its future prospects. The upstream part of the oil business, the offshore part of it, takes an swful lot of technical expertise to even contemplate doing it let alone actually going there and executing it. The ethic of such organisations is domisuch organisations is dominantly technical. And if you live in a world where profitability of your project is very comfortable . . . thank you very much . . . the technical ethic dominates so strongly that it pushes commercial con-

iderations into a corner." Ri is taking these considerations out of the corner that has preoccupied Shell as well as most other hig oil companies in the past few years, resulting most recently in the drastic staff cuts and restruct-uring at BP Exploration. Much of the adjustment pro-

cess has consisted of redirect-ing that technical ethic away from ever more elaborate and sophisticated projects, to using technology to make things simple, raise effectiveness and cut costs. Mr Jennings sees seismic technology, aspecially the development of three-dimensional imaging, as the single most important

hreakthrough.
Although the mechanics of 3D seismic technology have been available most of this decade, it has been the recent dsvelopment of snper high-speed computers and advances in software that have made it possible to manipulate into useable form the vast quantities of geological data generated by a hang or a pop on the earth's surface.

And then there are the recently-developed packages of steerable drilling assemblies that make it possible to hit tar-

gets precisely deep under the ground, for miles around. From a single drilling point, it is possible to follow the drill-bit elec-

slile to follow the drill-bit elec-tronically, eliminating the need to pull it up to check where it has gone. But it does not stop there.

"Then you can integrate all the relevant information on an accumulation of oil or gas, knowing its physical character-istics. knowing the pature of istics, knowing the nature of the rocks that have accumu-lated there, knowing the extent to which you can expect one reservoir to have a geographical sxtension, or to be connected with the other reservoirs. Using the same computing power you can now simulate the behaviour of the reservoir under production conditions and you can try out conditions and you can try out in your simulator various ways of producing the oil and gas. And that way, having found the structure, you can optimise

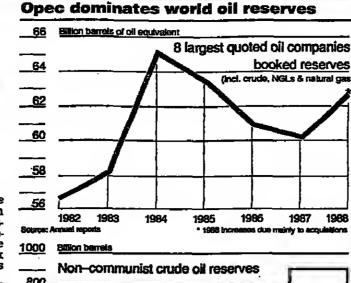
the recovery."
It is difficult to restrain Mr Jennings's enthusiasm for all of this gadgetry and what it can do, from raising recovery rates, to direct observation of hydrocarbons in the ground and pushing production into ever deeper and more hostile waters – profitably. Even so the world is running

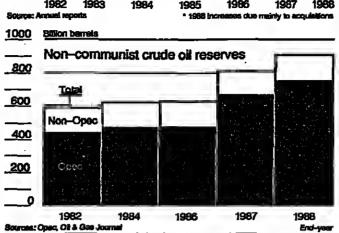
ont of highly prospective oil hasins, raising a question about the future of the oil companies, even if Shell and the others can continue to replace their reserves in the near term.
"The challenge of course is
to continue doing business. And you can do business with

and you can do puspess with somebody else's reserves as well as your own."

Mr Jennings suggests countries with vast oil reserves may soon find it expedient to strike up a new relationship with the international industry, to welcome back the companies they rudely ejected over the past 20 years.

"If you go in the 1950s to a country which has a major sedimentary hasin, and you obtain a concession to explore, and you explore and you are successful and have a major find,





they've ever dreamed. Then in the 1970s it gets so rich and confident that it huys you out and puts you in a position of some sort of minority share-holder or contractor. And then in the 1980s it gets so fabu-lously wealthy that it really wonders whether it shouldn't have a national oil company and put you in your place. It does that."

does that."

Then the national oil companies hired technicians and managers from the local staff of the private companies, only to find revenues plummeting with the collapse of oil prices.

"In the 90s it finds out it is not all in the private form." not only in dire straits financially hut it has wasted its technological know-how. Peo-ple who joined the national oil company when it was formed haven't trained their successors. They haven't established research organisations. They can't do 3D seismic. And if

they can they can't interpret it. So they've wasted their stock of human know-how. Maybe they find It extraordinarily difficult to organise themselves. The national oil company gets caught np in political considerations and people come and go as a result, which can't be but to the detriment of the performance of the organisation." Of course the performance of the national oil companies,

which now control most of the world's oil reserves, varies

from country to country. Yet put very bluntly, Mr Jennings is saying that as a class they are failures when stood next to

are failures when stood next to their private counterparts.

"Thsy will reach a point where financial (needs) will lead them to look for new sources of money to develop their existing oil fields properly, as well as to establish new oil, as well as to train their people, as well as to bring the technology that those fields need all together. And they could look to the international could look to the international oil industry or look to contractors in various associations together with banks. And they can come to an arrangement which seems to meet their needs and it won't be quite the same as any arrangement they ever had hefore. But it will mean that dollars from an outside source will be invested in their country together with technology from an outside SOurce.

Shell, and its rivals in the industry, are still busy risking money to look for oil. But the idea offers one answer to a crit-ical question overhanging the industry: what will happen to the vast capital resources of the major oil companies plus their proven technical and management skills after they eventually and inevitably give up hope of replacing the oil they produce with new discov-eries?

#### LOMBARD

# Fed well prepared for Wall Street crash

By Samuel Brittan

l WAS in the governors' suite of the Federal Reserve in Washington when the news of the Wall Street crash arrived last Friday afternoon. The Fed seemed well-prepared for such an eventuality and I was much taken by the prevailing calm-ness. A few notes were passed in and out. One or two people returned momentarily to their offices. But I was not asked to leave and the conversation on policy principles was soon

The immediats explanation was that the stock market had been very high and that pro-gramme trading had magnified the impact of the failure to syndicate the loans for the United Airlines buy-out — an accident waiting to happen.

The sconomic chattering classes also contributed their mite. There was a hilariously wrong interpretation of a lecture given hy the Federal Reserve chairman, Alan Greenspan in Moscow on October 10 on banking principles. Indeed, Mr Greenspan had gone out of his way to find a topic of value to the Soviets hnt which steered clear of the US policy

He did say that too much attention to short-run output goals "may lead to high inflation rates and reduced output growth over tha long run," a warning that belongs in every first-year text book - as does his other warning about the folly of attempting to hold interest rates at unsustainably low levels. But these timeles generalities were interpreted as fresh opposition to the Administration's plea for lower

interest rates.
Similarly, Greenspan's equally timeless remarks about attempts to maintain unrealistic exchange rates (particularly apposite in Eastern Europe) were interpreted as opposition to Group of Seven attempts to prevent the dollar over-shooting. In fact, Greenspan is a strong supporter of the G7 pro-cess and believes that the 14 Finance Ministers and central bank governors are beginning to act like an embryonic world economic directorate. He is

across not merely national boundaries but even across the more profound central banker-

Finance Minister divide.

But as bad luck would have it, two indicators were published on Friday which played into the hands of the hard-line interpretation. There was a 0.9 per cent rise in wholesale prices in September and also a rise in a very preliminary index of retail sales. The wholesale price increase came after three months of decline and was largely accounted for by volatile energy prices and the abnormal timing of dis-counts on automobile prices. None of this prevented the

There is none of the venomous hostility which the monetarist acolytes display towards Lawson or US supply siders displayed towards Volcker

teenage analysts from saying that the Fed would now adopt a still harder line on interest

rates.

The opposite is the case. The predominant belief of the Fed Open Market Committee for some months past has been that there is slightly more danger of recession than inflation. These pressures were hidden by distributions in the output fig. by distortions in the output figures, distortions which Green-span is a past master at unravspan is a past master at unravelling. The prevailing belief was expressed in Fedspeak in the minutes of the August 22 meeting which stated that monetary tightening "might" be acceptable, but that relaxation "would" be acceptable if conditions changed

conditions changed.

The Wall Street crash, unless it is reversed this week, is surely such a change, given how evenly tilted the balance was before. The Fed takes both Wall Street and the dollar into

particularly impressed that account in formulating policy; alliances are formed, cutting and my strong impression is and my strong impression is that an easing is in the pipe-line. There is no question of the Fed being less concerned with the dollar than the Administration. It is rather that as the Fed leans to inflation control it worries more when the dollar is weak. The Administration, with growth hlas, worries more when the dollar is strong.

What strikes the English visitor is how narrow and friendly the differences are. The Treasury Secretary, Nicholas Brady, and Greenspan are dining companions. While the budget director, Richard Darman, may be a little more outpocker, there is none of the spoken, there is none of the venomous hostility which the monetarist acolytes of Mrs. Thatcher and Sir Alan Walters display towards Nigel Lawson or which US supply siders displayed towards Paul Volcker during his squeeze of the early during his squeeze of the early

Greenspan himself told his Soviet audience that the US price level was linked most closely to a broad monetary aggregate (M2) over "three to five years." He is unrepentant about the squeeze on the US monetary base for which some take him to task and which is the equivalent of M0 in the UK.

A large part of the total con-sists of dollar bills held outside the US; and even apart from that was not a good predictor. The main advice I could pick up for the UK was that it was simply not a good place to be a monetarist - or a fiscalist either, in view of the perverse response of the balance of payments to the budget surplus.

But my abiding impression was how little impact the UK hysteria about sterling and the trade figures was making. One had to search the foreign exchange market reports for any inkling of the arguments between the British Chancellor and his critics. It may be that the US media are too insular. But the truth is that the so-called British crisis has been largely manufactured at home.

# LETTERS .

#### State schools and a choice of alternative curricula

From Professor S.J. Prais.
Sir, In calling for greater equality of opportunity in schooling, Michael Prowse is right to draw attention to the immensely hetter results in public examinations attained by pupils in private schools than by those in state schools ("An obsolete tradition," October 13). The same difference in ontcomes has been found in the US where private schools - contrary to Mr Prowse's suggestion that they play a "subdued role" - account for more than twice the proportion of school pupils than they do in Britain (14.5 per cent compared

with 6.4 per cent).

Among the important reasons why private schools do better is that they focus to a greater extent on learning out-comes, mastery of agreed sylla-huses and on allowing more pupils to be stretched by pro-moting them according to ability and achievement. They tend to avoid the unfocused "learning activities," mixed ability teaching and teaching

Paina Abreu.
Sir, Peter Montagnon, in his review of the GATT report International Trade 88-89

("Project to unravel the numbers for trade in services," Sep-

tember 29), says that the lim-

ited trade in services of Brazil

and India may provide another argument for their resistance to liberalisation as proposed by

developed countries in the present Uruguay Round. Any argument on the rele-

vance of markets for services

needs to take into account not only trade in services but also

trade in goods which embody

services, the size of domestic markets in services and their

expected growth. The provision

of services is closely related to

the right of foreign companies to establish themselves in

domestic markets. Therefore,

the "numbers" must cover not

remittances by foreign compa-nies supplying services and a

thorough analysis of transfer

It is disappointing not to see

down to a common level which characterise so mnch of Britain's state comprehensive

The correct lesson to be drawn from the comparisons is not that the wings of private schools should be clipped, but rather that state schools should provide parents with a choice of alternative curricula. Those parents, for example, who wish their children to be instructed from an early age in traditional basics — including spelling, punctuation and arithmetic — should he allowed to do so, even if that approach happens to be out of favour at the Department of Education. If parents subse-quently wish their children to take externally-marked O level examinations at an early age, rather than the GCSE at the common age of 16, with assess-ments by the children's own teachers, they should have the option.
This is not possible under

the Government's recently introduced policies on the

"backlog" issues and concen-trated their efforts on "some-

thing for nothing" behaviour.
It would be good if the developed countries, and especially the US, produced proposals

which could be politically sold in the capitals of developing countries as mutually advanta-

geous to all contracting parties as required by the Punta del Este declaration and, indeed

proposed in relation to textiles

by your leading article "US goals in the Uruguay Round"

GATT and the trade in services

From Professor Marcelo de intellectual property. The more so as the developed countries have conceded nothing on the

national curriculum and the GCSE. We can agree that these policies should, in the long run, prove to be an advance for the many schools which have worked without proper curricula. But many other schools, and many pupils, will be deprived of the opportunity to do better by the lack of choice that these instruments of pol-icy have imposed on all. Instead of requirements for minimum attainments with scope for flexibility, they have imposed a strait-jacket without the differentiation of curricula provided under the French, German, Dutch and Swiss

There is still time for the Government to think again. S.J. Prais, 83 West Heath Road, NW3

From Mr J.G. Bellak.

Sir, Michael Prowse again raises the spectre that all Britain's ills can be laid at the door of the public schools. He says "the Attlee cabi-net . . . failed to grasp the

public school nettle." Does he suggest that private education should be forbidden and that people who have paid their taxes legitimately should then be denied one of the freedoms enshrined in the Human Rights Convention?

Mr Prowse also seeks to perpetuate the widespread illusion that a similar choice does not exist in other successfully developed countries. Has he not heard of the immense sacrifices made by Japanese par-ents to have their children prients to have their children privately tutored in order to get them into the best schools? Does he really believe that the French child who goes to the Lycée Janson — which draws pupils entirely from among the Paris upper class and npper middle class — receives an education of exactly the same education of exactly the same standard as a child in less privileged surroundings? J.G. Bellak,

Severn Trent Plc, 2297 Coventry Road, Birmingham

#### Buyouts led by management

From Mr Laurie Brennan. Sir, I suggest that the title of your management buy-onts survey (October 11) should be altered to "management-led buy-outs." Managers' self-interest demands that they offer participation in the buy-out to all employees.

Without employee share participation, the huy-out message for non-managers is: "those

their jobs must work harder in order to make managers rich." subjective state of being, so that managers need not give up very much to secure the workforce's co-operation. Laurie Brennan, New Bridge Street Consultants, Tallis House, 2 Tallis Street, EC4

#### Consultancy in a federation

From Mr David Clark, Sir, Your otherwise excellent survey of management consul-tancy (October 6) implies that

this kind of expertise can be had only from large multi-service organisations, medium-sized consultancies, and one-man businesses. There is, however, a fourth alternative. It is a federation of small consultancies, one of which we have operated successfully in Scotland for several years. In an organisation of this

kind, consultants pool their expertise to provide services in many disciplines. A co-ordinating centre provides the research, marketing and administrative services, and the quality control. The consultants have all held senior management positions and know how to implement ideas. Because there are no full-time salaried consultants, there is no pressure on the centre to find marginally relevant work; the client always gets a consul-tant who has had intimate experience of the type of problems he faces. A small continuing overbead means fees can

This approach to consultancy is one way of making available to the nation some of the vast reserves of knowledge and experience which our early retirement system tends to hury. David Clark,

David Clark Associates, 9 Royal Crescent.



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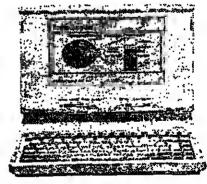
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acknowledged the very snb-stantial concessions - for good or bad reasons - made by Brazil and India in Montreal and Geneva in relation to major Central and City, issues such as services and 55 St James's Street, SW1

VAT option From Mr David A. King. only direct and indirect trade in services but also profit

on September 29.

Marcelo de Paiva Abreu,

Department of Economics, Catholic University,

Sir, If the Chancellor's main aim has been to attack inflation and consumer spending, why use the all-embracing tactic of raising interest rates, hurting the innocent and, more importantly, Tory voters. Why not simply raise VAT, omitting items such as clothing? David A King, Central and City,

# **FINANCIAL TIMES**

Monday October 16 1989



Janet Bush on Wall Street

#### Salomon's love affair with risk

VISITING the spanking new, football field-dimensioned trading floor of Salomon Brothers in London shortly after Big Bang in 1986, one could not help but think that something immensely important was tak-

There were the plastic, mar-hle columns and black onyx fireplaces of the executive dining rooms whose luscious veling rooms whose luscious velveteen curtains framed huge windows on to the green and black ticker tapes and high-tech of the floor below.

Then there was the head of the gilt-edged trading desk, a Briton with an outrageous mid-Atlantic twang, resplendent in a Tchirt saving "Salo."

dent in a T-shirt saying "Salo-mon's Big Bang Team" and orchestrating huy and sell orders by pointing at his trad-ers with a baseball bat.

Salomon Brothers, the US securities house which rode supreme on the crest of the great 1980s hull market in bonds, had always seemed big-ger and better and more serious than anyone else.

Take the deathly pale, bespectacled Salomon man din-ing at a rather frivolous annual bash put on in New York by financial journalists for their Wall Street contacts. "Having fun at Salomon?" someone asked. "I am in options. My life is options," he replied, not a flicker of emotion crossing his face. "It pains me how little people understand

Salomon Brothers has always had a special place in Wall Street mythology. Liar's Poker, a frighteningly evoca-tive and frequently hilarious description of life at Salomon is published at the end of this month, it is written by Michael Lewis who, by his own account, was a pretty successful bond trader in Salomon's London office until he left

early in 1988.

The title is taken from a gambling game, played regu-larly on the bond trading floor of Salomon's Lower Manhattan offices. In Liar's Poker, a group of people form a circle, each holding a dollar bill close to his chest. Each player then attempts to fool the others ahout the serial numbers printed on the face of his dollar

bluff with high stakes. As Mr Lewis tells it, Mr John Gutfreund, Salomon's chair-man and, in the glory days, dubbed the King of Wall Street, walked on to the trading floor and offered a challenge to John Meriwether, a star bond trader and lethal Liar's Poker player: "One hand, one million dollars,

This is indeed part of Salo-mon folklore but as every Salomon man and woman will tell you, Mr Lewis got the story wrong. John Gutfreund has indeed been known to play Liar's Poker, fancying himself a trader and desperate to be accepted by the boys, but it was not the chairman who issued the challenge.

It was, in fact, an extremely popular — some would say eccentric — hond salesman called John O' Grady. When John Meriwether turned down his challenge, John O'Grady stared him out and offered another: "One hand, no tears,

He meant it literally. There was many a time, according to a friend of O' Grady's when he would - literally - bet one of his extremities (finger, toe) at the ninth green in a game of

No matter that Mr Lewis has got it wrong. The Liar's Poker anecdote beautifully captures the machismo, the vaingloriousness and the love affair with risk which lies at the heart of the Salomon Brothers culture and credo.

The book is at its best when it is at its most outrageous. Mr Lewis describes with relish the phenomenal money-making machine of the mortgage trading desk, peopled with an Italian "mafia" under the leadership of Lewis Ranisri who started in the mail room, was later tipped as Gutfreund's successor and then summarily

Their aggression towards the rest of the firm and particu-larly the Wasps (White Anglo-Saxons) was expressed in defiant obesity. They joked about how thin government bond traders who ran triathlons at weekends still couldn't make money during the week. The more money they made, the fatter they became and the more they loathed skinny peo-

In the later pages, Mr Lewis himself becomes a rather nauseatingly successful – and hy this stage, rather moralis-ing - hond trader and ths entertainment value begins to fade. The more loathsome the characters are and the greater the excesses, the funnier the

FREED SEVEN CALL FOR RELEASE OF MANDELA

# Sisulu moves to re-establish ANC

By Patti Waldmeir in Soweto SEVEN senior leaders of the

African National Congress (ANC) were released from prison yesterday, and immediately moved to re-establish their banned organisation at the head of the anti-spartheid movement in South Africa. The seven elderly men, six of

whom had spent a quarter of a century in jall, were met by overjoyed friends and family when South African police returned them to their homes

at dawn yesterday.

The dignified, white-haired
Mr Walter Sisulu, 77, the most prominent of the released pris-oners, was carried shoulderhigh hy youths outside his Soweto home, while similar scenes of jubilation greeted his

The saven, who were released along with an eighth long-term prisoner from a rival political grouping, Mr Jafta Masemola, were among the most senior members of the ANC before it was banned by Pretoria in 1960.

Addressing journalists last night in the sprawling Soweto township outside Johannes-burg, Mr Sisulu confirmed that the men were appearing as leaders of the illegal organisation, and said the meeting constituted the first press conference held by the ANC since its

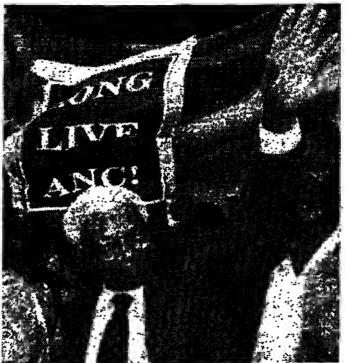
banning. He and the six other leaders, who responded cautiously and calmly to a barrage of media questions, spoke against the backdrop of a large banner in the green, black and gold col-ours of the ANC, while an ANC flag hung limp behind them.
Asked whether they were unilaterally declaring the movement unbanned, Mr Sis-ulu avoided a direct reply. But the openness with which ANC banners were displayed, and songs sung in praise of the ANC's military wing, Umkh-onto we Sizwe, was unprece-dented by South African stan-

However, the leaders clearly avoided overtly inflammatory statements, stressing again and again the need to consuit with internal black political aders over their future strat-

The men – Mr Sisulu, Mr Ahmed Kathrada, Mr Elias Motsoaledi, Mr Andrew Mian-geni, Mr Raymond Mhiaba, Mr Oscar Mpetha and Mr Wilton Mkwayi – issued a statement expressing gratifude to individuals and governments which had worked for their release. But they branded the release

a "half-measure" on the part of Pretoria, calling for continued pressure to secure the release of Mr Nelson Mandela, the leader of the ANC, who remains in prison.

"There can be no real joy in our release when we think of the comrades left behind, especially Nelson Mandela, who has been in prison longer than any of us," the statement said. Nonetheless, the released leaders conceded that the release showed that Pretoria



ANC leader Walter Sisulu waves to supporters outside his home after his release from prison on Sunday

is beginning to be sensitive to issues that affect the people of South Africa" and called on the Government to create "a climate for negotiations." "The ball is in the Govern-ment's court," said Mr Andrew Mlangeni, stressing that the ANC would continue with its

armed struggle until the Pre-

toria was ready to meet its demands.

They stressed the need for order and discipline in the anti-apartheid movement. insisting that they would be guided by its leaders.

Freed prisoners will meet a

# Ryzhkov tries to head off anti-reformists

By Quentin Peel in Moscow

MR Nikolai Ryzhkov, the Soviet Prime Minister, last night sought to head off a growing backlash against the perestroika reform process, pleading for more time to allow

the changes to work.

In a nationwide television broadcast, he promised there would be no consumer price reforms next year, and no mon-etary reforms, hut warned that soaring wages were the great-est threat to the economy.

He revealed that the chaos on the Soviet railway system has left 25,000 tonnes of imported food products, and thousands of tonnes of shortage consumer products like soap and detergent, stranded at entry ports

He also made it clear why the government had demanded

months, saying that 2m working days were lost in September alone, with production losses of up to 3bn roubles, from strikes which did not include the mass miners' strike of July and August.

Mr Ryzhkov's grim picture of the Soviet economy was broad-cast at peak viewing time last night, as part of a co-ordinated government effort to answer a growing tide of criticism of the economic reforms.

A conservative backlash, apparently enjoying wide-spread support from the offi-cial trade union movement and from within the Communist Party has emerged in the so-called United Front of Workers of Russia, founded in the Siberian city of Sverdlovsk last Mr Venyamin Yarin, co-chairman of the front, told the trade union newspaper Trud this weekend that "perestroika has gone on for five years, and enriched us spiritually, but unfortunately given little material support to the simple man. Workers and pensioners have started to live not better, but

The government knows that those sentiments will strike a chord with many ordinary consumers, baffled at the failure of the reforms to produce rapid results in spite of upheaval in their work practices. The trade unions have been

campaigning for an outright price freeze, and a ban on wide sections of the new co-operative businesses, which reformers claim would reverse much of the liberalisation introduced with perestroika.

Dr Leonid Abalkin, the deputy prime minister in charge of economic reform, also tried to answer the complaints in a weekend interview with the popular newspaper Argumenti Fakti.

He denied that the government was effectively imposing wage freeze without a price

• Reuter adds: Mr Boris Yeltsin called yesterday for the removal of his arch-rival Mr Yegor Ligachev and two other members of the ruling Politburo - Mr Lev Zalkov and Mr Vitaly Vorotnikov, Mr Yeltsin also warned a mass meeting that conservatives had attacked reformers and journalists at a recent of Central Committee members and

# US offers Japan olive branch

Ian Rodger explains a sudden change of attitude

WASHINGTON spokesmen, who have been hectoring Japan with increasing ecrimony in recent months over its protectionist trade practices, suddenly changed their tune last week and adopted a concil-iatory attitude, emphasising their commitment to what they call a "global partnership between the two countries.

Mr Michael Armacost, the new US ambassador who stormed into Tokyo in May saying he would act as America's "first commercial officer", last week talked of Japan as "the most essential partner" for the US.

The new tone first appeared in a speech by Mr Robert Kimmitt, under-secretary of state for political affairs, who was visiting Tokyo last week for talks on political and defence issues

Mr Kimmitt said that in political affairs, "co-operation between our two countries today is better and closer than it has ever been. Our goal is to combine our strengths, our tal-ents and our resources and to act as a positive force for a more peaceful and prosperous world."

Coming from a senior State Department official, that tone was not a great surprise. State attacked in the US these days for being too soft on Japan. However, later in the week, the same kind of language was adopted by two visitors from departments that have had ig-dong disputes with Japan, and still have long lists of

Mrs Carla Hills, the US Trade Representative, told members of the American Chamber of Commerce in Japan at the weekend that she was trying "to create a more co-operative atmosphere" for settling trade issues, while Mr John Robson, deputy secretary of the Treasury, said in a speech: "Sometimes we are guilty of looking too much at the tensions and not enough at the co-operative efforts we have under way to reduce those tensions."

To some extent, this sudden co-ordination of tone is fortu-itous. By coincidence, a large number of US government leaders were in Japan making speeches at the same time last

US officials in Tokyo realised that they would just look silly if they all came on with guns blazing, so there was an attempt to present a consist-

Whether it marks a real watershed in the overall US approach to relations with Japan is another question. Cer-tainly Mrs Hills did not hesitate during her four-day visit to Tokyo to raise virtually every trade complaint that the US has against Japan, from bid-rigging in construction to

**WORLDWIDE WEATHER** 

market entry restrictions in variety of sectors, to outright discrimination against foreigners in such service areas as law and accounting

However, as Mr Armacost said, "we think we have a relationship of sufficient confidence and importance that we can speak directly to each One new factor in the rela-

tionship is the surge of anti-Japan sentiment in America in recent months, especially in the aftermath last month of the takeover by Sony of Columbia Pictures.

According to one recent opinion poll, most Americans now believe Japan's economic success is more of a threat to the country than the Soviet

Union's military power. Some US officials now feel that, given the growing feel-ings of frustrations in the US. it would be irresponsible of them to further emphasise the differences and disputes

between the two countries. Mrs Hills went out of her way to say that she did not see Japan'e economic achievement as a threat. "I see it as a won-derful accomplishment," ehe said magnanimously.

Mr Armacost pnt the poll result down in part to the fact that Americans worry more about economic problems now because the security threat

Continued from Page 1 to gain a seat on the US com-pany's board and protect its joint marketing arrangements against the risks of a hostile

raid from Mr Marvin Davis,

Mr Davis mounted a take-

over offer this summer which

prompted a counter-bid by the

UAL management and BA.

Although Mr Davis is still
on the sidelines with an offer

to match the original UAL-BA hid, many analysts believe it is

unlikely that he will step into

the fray again at this stage

before the dust settles on Wall

There were suggestions on

Wall Street yesterday that the collapse of the UAL financing

the Los Angeles investor.

In Paris, a downward adjustment in share prices was also expected, but on a more moderate scale than in New York. In Zurich, a leading hroker claimed yesterday that he had already gathered orders to buy shares if share prices fall by 5 or 6 per cent.

of any further falls in world stock markets this week. index fell by 2.5 per cent dur-ing the two-hour trading ses-

Haig Simonian in Frankfurt, William Dullforce in Geneva and John Elliott in Hong Kong.

tion of the dabt nackage.

banks," said Mr Guy Wyser-

Pratt, executive vice-president

at Prudential-Bache, the US

The decision of the Japanese

banks to withdraw sparked off

ecurities house.

the crisis last Friday.

#### **Similarities** to 1987 crash Continued from Page 1

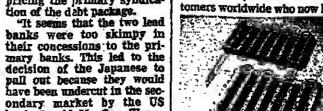
elsewhere around the world In Frankfurt, bankers drew attention to the strength of the domestic corporate scene as a result of high internal and export dsmand, which has been translated into excellent company earnings and rising share prices this year.

Stock markets that were open over the weekend regis-tered immediate nervousness after Friday's drop in the US. In Tel Aviv, one of the few exchanges to trade on Sunday, the index of the 35 most heavilly traded stocks fell by almost 7 per cent. After a rise of more than 60 per cent since the start of the year, this was seen as an attempt by investors to realise some of their gains in advance

In Taiwan, the local stock sion on Saturday.

Reports from Richard Waters in London, James Buchan in New York, Stefan Wagstyl in Tokyo, Hugh Carnegy in Jerusalem, Ian Davidson in Paris,

**UAL** buy-out restructure was caused by a miscalculation by the consortium's two lead banks, Citibank and Chase Manhattan, by underpricing the primary syndica-



# The high price of liquidity

It is easy to run through the suggested reasons for what happened on Wall Street late last Friday, and what may, or may not happen on the rest of the world's stock markets this week. However, in the current nervous financial climate changing perceptions are even more powerful than underlying fundamentals, and that is why the authorities have to be alert to the need to maintain confi-dence in the globel financial markets after last Friday's 7 per cent drop in the Dow. In terms of valuation most of

the world's stock markets are nowhere near as high as they were two years ago. The interest rate environment is generally more friendly and infla-tionary worries are subdued. Against this, the world economy is two years closer to a recession, corporate profit growth in several major economies is elowing down, and yield curves are inverted, which is often a sign of a com-

which is often a sign of a coming recession. In normal times one could argue a reasonably convincing case for equities heing either moderately higher, or moderately lower.

Although the events of the last few days give a sense of history repeating itself, this is almost sure to be proven wrong. The scale of this year's rally has surprised everyone and even after Friday's dramatic drop on Wall Street, the Dow is still 18% per cent up on the year, or roughly twice its the year, or roughly twice its average annual gain over the long-term. However, the real worry is less about the actual level of the market than events which could damage its liquidity.

This is not the first time, for example, that the end of the US takeover wave has been predicted and been proven wrong. But if perceptions really have changed and the bankers are increasingly reluc-tant to finance such leveraged deals, this has serious implica-tions not only for the level of future corporate activity, which has fuelled much of the rise in US share prices, but also for the liquidity of the junk bond mutual funds which have invested so heavily in many of these deals. The authorities cannot forget past history lessons.

BA/UAL

It must say something about the priorities of all those involved in the \$6.8bn lever-aged buy-out of UAL that it was some of the project's bankers who lost their nerve, rather than BA which was putting up. the real risk capital. There are sound commercial reasons for

Pearl Group Share price relative to the FT-A All-Share Index

50 1979 81 83 85 87 89

BA's interest in comenting its ties with UAL, but behind all the hoop la about the need to create a truly global airline, the sheer size of BA's financial gamble has been overlooked. pharmaceuticals is not in itself evidence that the SmithKline Beecham merger is under strain. Staff disaffection is inevitable in mergers as in inevitable in mergers as in acquisitions; the drug industry's higgest previous merger, that of Ciba and Geigy in 1970, took seven years to settle down. But the incident is a reminder of how much Smith-Kline Beecham's shareholders must take on trust. Until full

year figures for 1991 are published, the only real signs of progress will be how much Augmentin is growing and how much Tagamet's decline is alowing down.
The shares have outper-

formed the sector of late, partly because UK institutions seem to be increasing their weighting faster than US investors are reducing theirs. When this has settled down, support should come from the prospect of 20 per cent earnings growth for the next couple of years. But if there were any signs of the merger really being in trouble, none of that would

Pearl Group A little knowledge is a dan-

gerous thing; some of the last fortnight's punditry about why AMP abould pay more than £7 per share for Pearl has verged on the lethal. The waffle stems from the idea that you can firmly price a life assurance company with a magic formula called an appraisal value. The danger is that life companies will start cooking their books with variations on the idea.

Pearl is within its rights to have asked a consulting actuary to assess its worth. But even if it produces figures sug-gesting an appraisal value a long way north of the 450p or

so at which Pears suares spent much of 1989, it does not follow that investors must

reshape entirely the way they rate life shares.

Appraisal values come in many forms, but the contentious element is the attempt to find the present value of future prefits, including some from life policies yet to be sold. But the idea is not new. Wood Mackenzie started publishing BA was proposing to invest the equivalent of roughly a third of its own stock market capitalisation in a bunch of very funny UAL securities whose dividends were payment in kind of even more funny money. This is hardly a low risk investment.

ment.
The rosy optimism supporting the proposal to pay 18 times UAL's 1990 earnings is underlined in the UAL tender underlined in the UAL tender offer document. It projects ateadily rising passenger yields, load factors and profits over the coming decade even though UAL's record has been highly erratic. The \$19hn of planes on order will be leased, so future capital investment is minimal.

minimal.

If only life was that simple.

Maybe US airline profitability
has changed for the better, but
this still has to be tested by a recession. UAL no longer has any surplus fat, such as its hotel chains, which it can shed to bolster its financial position, and forecasting that a bunch of highly leveraged rival airlines like Pan Am, TWA and Texas Air will refrain from future savage fare wars to maintain traffic volumes is optimistic. Lets hope some of the bankers' new found conservatism about LHOs ruhs off on BA's manage-ment. It should use the current hiatus to renegotiate a more

The resignation last week of Beecham's erstwhile head of annual appraisal values for life companies in the 1960s. Sometimes they produce sure-fire stock-picking, sometimes not. One problem is lack of data; you cannot pinpoint future earnings if you do not know how many customers will lapse beir policies, or the tax-man's future stance. Appraisal tech-niques have excellent uses in flotations (like TSB's), in private takeovers with no public share price and for stock market analysts looking to assess a life insurers' future dividendpaying potential. But asking more than that is silly. There are other ways of showing that Pearl should fetch above 27.

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TRANTON

6



#### Leaving tube manipulation to the specialist THE NISSAN CAR factory at to Bundy as a supplier not A similar approach is paying.

of the hrake and fuel pipework engineered assemblies. Nissan's just-in-time require- a century ago. The process has 23 countries. ments using cellular manufac- been continuously refined and turing techniques.

Fully engineered assemblies

determination to build on its specialist position as one of the world's leading manufac-



developed; other materials have Engineered solutions been added, and tubes are now The move reflects Bundy's finishes and surface coatings.

Comprehensive customer

systems engineer (fuel, brakes,, cessful approach, power steering, coolant) to specify and design his own pipework. Passing the task to s "package" specialist means more expertise applied to specification and design, greatly simplified assembly, and reduced invest-

ment by the car manufacturer.

Washington, UK, installe most merely of tubing, but of fully increasing dividends for refrigerator manufacturers, as in each of its cars as one Bundy is a vertically integrated Bundy teams develop new ready-prepared assembly. The manufacturer, making its ways of making fully built-up assemblies come from a neigh- double-walled tube from sheet cooling shelves and evaporator bouring facility set up by Bundy metal using a technique first panels. Bundy is able to provide International, a member of the developed by the company's such a service worldwide, II Group, especially to meet founder for Ford, USA, over half operating as it does 50 plants in

Bundy's systems engineering made with a variety of protective approach, and its activities generally - which can be summarised as providing engineered solutions to fluid carrying problems - are typical of the products turers and suppliers of high Today, however, the emphasis and outlook of the TI Group as a quality tubing and hose to many is on extending the scope of whole. Since TI was restrucindustries. The foundation of Bundy's engineering skills while tured in 1986-87, its driving the approach is expertise in providing a comprehensive cus- strategy has been consistently to tube manufacture, but that is tomer service; hence the tube- improve its position as an internow only the starting point assembly approach, complete national engineering group con-Nissan is only one of several cus- with joints, quick connectors-for centrating on specialised engintomers worldwide who now look robotic assembly - and the eering businesses, operating in means of location. The traditional selected niches on a global approach to car design left each basis. It has proved a highly suc-



# **FINANCIAL TIMES**



Allegations of collusion by the UDR with Protestant paramilitaries have soured relations with

Dublin. For the new ministerial team in Belfast, led by Peter Brooke, security now dominates all issues. As Hazel Duffy reports, it is proving a baptism of fire

# Rebuilding confidence

the most troubled, most iso-lated regions of western Europe. The IRA may have moved some of its deadly activities out of Belfast to the Continent of Europe and the main-land. But the price of relative peace in the commercial centre of Belfast is the continued presence of soldiers on the streets, and the patrols hy an increasingly efficient, militarytype police force in the Royal Ulster Constabulary. Yet the apparent success in

quietening the province, is now bringing political problems in its wake. The Ulster Defence Regiment, the mainly part-time force within the army struc-ture, has provided the new Northern Ireland Secretary, Mr Peter Brooke, with his baptism

Leaked documents and allegations of collusion by the regiment with Protestant paramilitaries have soured relations with the Republic of Ireland at the very time the thrust of trade and economic policy in the European Community, allied to the existence of the Anglo-Irish Agreement, should have pushed them closer.

The issue has been around for some time. But its surfacing now underlines the con-tinuing lack of confidence hy

NORTHERN Ireland is one of the nationalists in security as reflected in the predominantly protestant UDR and RUC. Dubof the nationalists in the north, hut it has not been able to influence the implementation of security in the catholic areas of Belfast and

Londonderry.

And so the barrier of the border between north and south is not softening, but hardening. Security dominates. Any lin-

gering opportunity that there might have been to strengthen the economies either side of the border, along the lines of the Benelux customs union many years ago, has been lost in the disturbances of the past 20 years. For Belfast and Dublin, the concept of 1992 is nothing to do with their own relations. Rather it is a question of their respective links with mainland Europe.

There are a few optimists who believe that 1992 will ahake the border hetween Republic and province. Mr John Hume, leader of the SDLP and member of the European Parliament, predicts the impact will be dramatic. He talks about harmonisation on both sides of the border, and says that many of the divisions

will have to go.

The new team of Northern



# Northern Ireland

der only in terms of security.

The Republic is viewed as an economic competitor in many areas. Farming is particularly seen in this context. More recently, Duhlin and Belfast have both set out to woo financial service companies from Britain and mainland Europe, and the east coast of the US.

Ironically, both have a simi-

lar resource which makes them stand out in the contest to attract international investors. The hirth rate in Northern Ireland did not dip nearly as deeply as in Britain, in the years which are now reflected in the school-leaving popula-tion. The problem is knowing how to hold on to them.

That means jobs. Officially, unemployment has dropped in the province in line with the rest of the country. But many

believe that the figures have in fact gone up in some of the most depressed parts of the province.

These would include areaa like west Belfast, where a pro-portion of young people are so alienated from the formal structure of government in the province that their future is lready wasted.
But it is not only sections of

the nationalist population which feels so alienated. As the years multiply since the ill-fated attempt at power-shar-ing in Northern Ireland, the feeling grows that the extension of Westminster and White-hall power to the province increases the gulf between gov-

ernment and governed.

The appointment of Mr Brooke by Mrs Thatcher in the reshuffle has confirmed that view for many. A decent and able man, he is nevertheless seen in the province as having been appointed to "hold on' until the next general election. His officials try to portray the Northern Ireland job as "a

testing ground" for politicians - Mr Brooke's predecessor, they argue, went on to head the Ministry of Defence, Mr Douglas Hurd to the Home Office. It is a London-hased view to see the province as a

political backwater.
Perhaps, hut there can be few who believe that Mr Brooke was appointed to make an impression in the province. For the historian, Anthony Stewart - better known to his readers as A.T.Q. Stewart — who in charting the history of Uister in his books has "provided a rare insight into the

mind of the Ulster Protestant" (Belfast Telegraph on the pub-

lication of "The Narrow Ground", which has recently been reprinted) it is "the state which has disappeared, dis-solved. It has all heen done very nicely and efficiently for the English, hut I am full of trepidation about it."

He admits that many people are better off under direct rule. But, for him, and for many who profess the various Unionist viewa (although Dr Stewart is not a member of any political party), it is the unresolved question about the government of the province which matters most. In the vacuum, the fear is that the Anglo-Irish Agreement must mean that Britain intends at some stage to get

The decision by the Conservative Party to organise in Northern Ireland — which won overwhelmingly backing at the

#### CONTENTS

Industry: Short Arothers; Profile: Perfecseal Nuprint

Agriculture; Property; Lagenside initiative; Laganside initiative Profile: F.G. Wilson

Textiles: Energy

Tourism: Map

Tory party conference last week - might help to moderate this fear.

The anachronism of separate and sectarian – political parties in the province has fostered the sense of isolation which is exploited by the

Moderates talk, hopefully. that the struggle, as perpe-trated by the IRA, is perhaps being seen by some of its natural supporters as out-dated. The 20 years since the army went into Northern Ireland was a landmark for the IRA to ask itself whether it was any nearer its declared aim, as well as providing a gruesome anni-versary for the British people to reflect on.

to reflect on.

The actual anniversary passed with little event. The foreign press, dipping into the province for the first time for many years, was even accused of "manufacturing" incidents for the purpose of providing for the purpose of providing newsreels back home.

Talk of "glimmers of hope at the end of long tunnels", how-ever, gives way to another round of despair when — as so often happens — the IRA perpetrates an atrocity like that in Kent. But there is talk of splits within the IRA, and frustration with a campaign that seems to be going nowhere. The professionalism of its terrorism, acknowledged by ministers in the province, might in time lead to a growing isolation from much of the nationalist

community.

Life does, of course, go on. The centre of Belfast is resuming its former role as a solid, provincial city. Much of suhur-ban Belfast and the wealthy hinterland have mostly escaped the troubles. This leads to the admirable determination that "husiness goes on as usnal", but also a sense of eyes closed to the underlying tensions like that in prosperous parts of US cities where the threats posed by racial groups are conveniently over-

Housing costs in the province are much lower than on the mainland. The spending power of those in work is higher. Ont-of-town shopping centres are complementing the new centres going up in the middle of town, where the contents of new car parks display the same affluence as in the south of England. Once in the centre, there is no intrusion of the

security searches which were

ohligatory a few years ago.
The Government gave notice
of its intention to make the economy more independent of state hand-outs some time ago. It is interpreted in some quar-ters as an indicator of a far more significant silent plan to withdraw from the province.

The business community, however, mostly views the unloading to the private sector of the two hig Belfast indus-trial companies, Harland and Wolff and Short Brothers, as a welcome move towards ulti-mately a more viable economy. The way in which electricity is to be privatised will be watched closely as a test of the Government's determination to make the economy more like that on the mainland.

The decision hy Montupet, the French car components maker, to put its UK base in Belfast, was particularly wel-come. As yet, there has been no similar move by the Japanese to make Northern Ireland a hase for Europe, at least not on the scale of their investments in other parts of the UK. Some US companies, how-ever, have seen the opportuni-

ties of linking with companies in the province to strengthen their position in Europe. The entrepreneurial spirit so raised in Britain can be found in Northern Ireland. There are several examples of companies which have been huilt up from scratch. The founder is most likely a local, possibly some-hody who has worked ahroad, hut recognises the potential

that a good workforce can pro-vide, and returns to set up European funds have helped to expand the network of small husiness agencies, which work Local Enterprise Development Unit (the small husiness equivalent of the Industrial Development Board).

Another significant develop-ment in the past year was the enactment of the Fair Employ-ment legislation — less rigorous than some would have liked. In the US, several states have voted for the McBride principles which imply positive action on behalf of the minority - hut seen hy others as a needless hureaucratic intrusion. It will at least make it easier to monitor the soccess at hreaking down sectarian barriers in employment.



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ing. With a natural increase in

high unemployment (15.2 per cent in August 1989), employ-

ment is a very relevant factor.

ern Ireland is proportionately

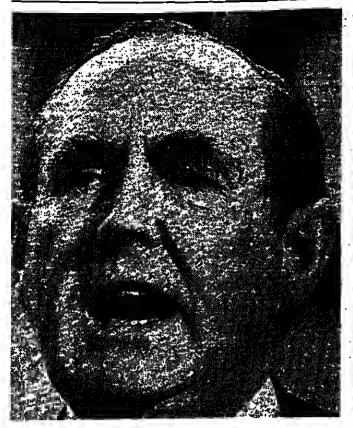
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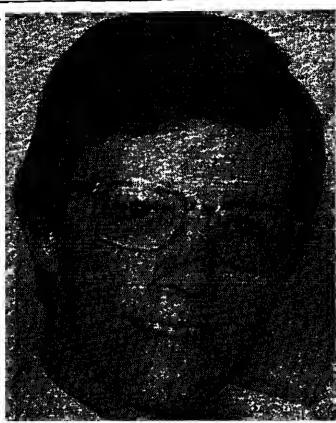
much higher presence in trada-

But manufacturing in North-

State spending is a vital prop to the economy, writes Hazel Duffy

Symbols of confidence mask





Peter Brooke (left), on whom judgement is still awaited; Peter Robinson, viewed as the pretender to the Paisleylte DUP throne

Kieran Cooke on attempts to break the domestic deadlock

# Few fresh brush strokes being applied to political make-up

DIGGING out the old political files on Northern Ireland can be a rather salutary experience. "Unionists reject new plan," "SDLP says nationalists isolated," "Government calls for new approach," are the headlines of 10 years ago.

So what has changed? The cynics would say very little. It is still a brave, perhaps foolish commentator who predicts any hreakthrough in Northern Ireland's politics.

Yet the past year has had its moments. Early in the year came the revelation that a group of politicians from the Official Unionists, the Democratic Unionist Party and the mainly Roman Catholic Social Democratic and Labour Party had been holding secret talks at a venue in West Germany. Among those in attendance were such leading lights as Mr Peter Robinson, looked on as the pretender to the Paisleyite DUP throne, and Mr Austin Currie of the SDLP.

Possible ways to break the impasse on some form of power discussed at the meetings. A possible break in the workings on the Anglo-Irish agreement had been mentioned.

But when the story broke the political leaders quickly scurried back to their bunkers. There had been no break-through: it was all fanciful journalistic hyperbole. Mr Rob-inson was told to keep his head

Mr Currie later announced he was giving up on Northern Ireland politics and moved across the horder to be promptly elected to the Dail, the parliament in Dublin.

There have been two elec-tions and a reshuffle at the Northern Ireland Office in the past year. Again change but lit-tle change.

In local elections in May the

Unionists, led by Mr Jim Molyneaux, were once again confirmed as the largest party in Northern Ireland, polling 32 per cent of the vote. But below them there were some interestHume, saw its vote rise to more than 20 per cent and it gained control in some important areas. Most significantly, Mr Ian Paisley's DUP saw its vote drop substantially to 17.8 per cent of the total. A widely predicted drop in the vote for Sinn Fein, the IRA's political wing, did not materialise, though the party did lose some support in rural areas. The vote for the moderate Alliance

party stayed about the same. Analysts were quick to predict cracks in loyalist political resolve. The drop in the DUP vote meant the end to the more extreme brand of unionism: Mr Paisley, the blustering verbal bomber of the province's politics for more than 20 years, was finally running out of

While there is little doubt : that many loyalists have grown rather weary of what is perceived as an often petty DUP campaign waged against the Anglo-Irish Agreement in Northern Ireland's council ere is also little doubt that loyalist antagonism toward the Agreement is as

strong as ever. The "Ulster says No" banner on Belfast City Hall might be faded, but its message is as def-inite as it was four years ago when the Agreement was

The idea of Mr Paisley tak-ing an early political bath was quickly squashed in European elections in June. Tha DUP leader once again topped the poll, though with a reduced vote. Predictably Mr Hume was returned, and with his biggest ever vote, while the Unionists elected Mr Jim Nicholson, a quietly spoken farmer, as their new MEP.

In July came a change of regime at Stormont. Out went Mr Tom King, longest ever serving Secretary of State and a man who was commonly regarded to have grown into a solid and committed occupier of the most difficult of jobs. Mr King, when he took over the job in 1985, had committed a

Peter Brooke, has done the same. Worse, he chose to do so on the always inflammable subject of the Anglo-Irish

Mr Brooke's minders were quick to deny any change in the position: London was as firmly committed as ever to the continuance of the Agreement. But such things create new uncertainties in a very uncertain political environ-

people of Northern Ireland do not look kindly on their "hlow in" rulers behind the fences of Stormont Castle. Mr Brooke's appointment is commonly seen as an example of a "mnddling through" approach by Government.

The common perception is that Mrs Thatcher has run out of patience with Northern land and is only interested in matters pertaining to secu-rity. Yet Mr King worked hard for change and fought many battles on Northern Ireland's behalf in London: Judgement

So much for the movement on the surface of Northern Ireland's politics. Down below things have been a little more interesting. Perhaps one of the most significant developments has been the growing cam-paign for the Tory party to organise in the province. The matter won overwhelming support at last week's Tory party conference. The decision is likely to have profound effects on the political character of

the province.

At present the people of Northern Ireland are isolated within their own party system. The nationalist/loyalist, Catho-lic/Protestant divide is in many ways institutionalised within the existing party political framework within the prov-

Mr Brendan Clifford, founder of a body called the Institute for Representative Government pointed to recent polls showing that more than 50 per cent of date, there are only small signs that the private sector is will-ing to develop offices and industrial premises without substantial assurances that the public sector is behind them.

join the political mainstream

and vote directly for the main land political parties.

There is no politics in North-

ern Ireland says Mr Clifford.

to vote Catholic or to vote

Protestant," The Tory party's

move to organise will add a

new ingredient to the Northern

Looking in a very different direction, Dublin's politicians

seem content to limit their

influence in Northern Ireland's

affairs strictly to within the workings of the Anglo-Irish

Northern Ireland was hardly

mentioned in the Republic's

recent general election. Only two paragraphs were devoted to Northern Ireland in a 32

page document outlining the

new Dublin Covernment's plans for the next four years.

candidates in the Republic's

election. Once again it found

the southern voter disinter

lar brand of politics. Sinn Fein

failed to win any Dail seats and saw its vote drop from 1.8 per cent of the total vote in

Mr-Hume insists that change

is on the way: if Northern Ireland does not change itself then it will be forced to do so by the arrival of the single European market in 1992. Mr

Hume feels Northern Ireland

will then be forced onto the

European stage: its problems will be diluted in this broader

But Northern Ireland has

proved itself resilient to politi-cal change. Its political "old guard" is still in charge, a little

older and more weary perhaps but there is a dearth of new talent in the ranks below.

There are likely to be more "talks about talks" and

attempts at new initiatives. But for the time being at least,

there is little sign of any fresh brush strokes being applied to Northern Ireland's political

1987 to 1.2 per cent in 1989.

Sinn Fein once again fielded

Ireland political cocktail.

Agreement

The electoral alternatives are

In spite of the symbols of confidence, the Northern Ireland economy is vulnerable. The main market of the province is the mainland. Faltering growth in the UK economy must have an impact on the fragile recovery from the recession of the early 1980s. To some extent, this has meant relying less on manufacturing. The recent growth years, however, have been good for some regions, particularly the West Midlands, precisely because it is manufacturing the goods which are in demand.

particularly noticeable in the

new shopping developments that are springing up, and in new leisure and recreation

Government backing, in the form of grants, has been an important element in creating

private sector confidence. To

facilities.

Manufacturing has declined in Northern Ireland, partly because international companies - mostly brought in with the help of government -

CONSUMER spending and rationalised at the expense of in the sector has been stabilistication from the province, and because local incomes have in the province, and because local in the sector has been stabilistication from the province, and because local incompanies have not expanded the population and relatively high unemployment (15.2 per high unemployment (15.2 per high unemployment (16.2) per high unemployment (16. the country.
But manufacturing is still an important component of the

Northern Ireland economy for several reasons. Dr Graham Gudgin, director of the independent Northern Ireland Research Centre, believes that the future performance of the sector "will be of critical importance ... (it) is erucial to

ble services.

Manufacturing and agriculture "are probably capable of
supporting a regional income the prosperity of the province Government backing, in the form of grants, been an important element in creating private sector confidence

largely because it is the major source of export earnings and is a significant potential recipient of private sector capital inflows. The service sector, on the other hand, tends to depend more on local demand. Between 1973-86 the period covered by the research centre in a recent study -employment in manufacturing fell by 39 per cent with the loss of 66,000 jobs. Output also fell, hy 19 per cent. This was a slightly poorer performance than for the rest of the UK.

at only half to two-thirds of the current level," says Dr Gudgin. The contraction of manufacturing has not been replaced by other sectors producing exter-nally tradable goods. The province has become dependent on the public sector to support the current levels of employment and income

One in four of all employees in Northern Ireland works in the health and social services. or in education services in the public sector. The growth of the public sector is an indirect consequence of direct rule by

considerable vulnerability

since 1972. Mr Arthur Luke, a director with Touche Ross management consultants in Belfast, says that the strong public sector should be used to reinforce development policies in the province. This has started to happen in a small way. For instance, the Government is moving social accurity jobs from the south-east of England to Northern Ireland. The Passport Office in Belfast is to be

expanded. But he also acknowledges that the comparatively large pubic sector, while providing basic stability, blunts the dyna-mism which is needed in the new entrepreneurial style of

He identifies two other weak strands; a lack of a substantial capability in Northern Ireland to generate internally the economic growth to alleviate prob-lems; and the difficulty that the province has experienced in sharing fully in UK eco-nomic growth over the past

On the other hand, he expects that the much higher level of general business confidence "will retain sufficient buoyancy to withstand, in the next couple of years, anything other than an actual recession in the wider economy."

Jim Flanagan on an efficiency drive likely to impress Whitehall

# High-tech savings solution

A NEW high-tech approach to public spending control in Northern Ireland is producing remarkable results which are being closely monitored throughout Whitehall.

By developing a simple com-puter-based performance indicator, system managements right across the Northern Ireland civil service are making dramatic savings and pointing to significant benefits

or the taxpayer. Mr. David Court knew when he came to Northern Ireland that his role would not make him a front runner for winning popularity contests. As directral Unit on Purchasing for Northern Ireland, CUP(NI), he was given a clear brief -review all leading purchasing strategies across all depart-

ments and promote savings.

The remit reflected Government policy of rooting out waste in public spending but it was an awesome task in a UK region where public expenditure annually runs to more. than £5bn. The unit was set up follow

the tinit was set up follow-ing a report by external consul-tants Purchasing Index UK Ltd, which reviewed the pur-chasing, contracts and supply functions of all Northern Ireland departments.

It also recommended the development of a common computer-based information management system with specific emphasis on purchase price monitoring and depart-mental cost comparisons. By the autumn of 1987 Mr Court had identified the mod-ules that would make up a comprehensive purchasing information system and within and a petrol allowance.

months had settled on a protoMr Court says: "The criteria type produced by McDonnell Douglas and Belmin Systems, a software house in Somerset. He is realistic on its limita-tions but enthusiastic about its capability to assist managers in making significant savings. The system tries to unravel mountains of print-outs and

More recently, employment

present the information on easily understandable screens for

ey decision takers," says Mr The system itself does not:

was simple. It was not a perk. Staff only got a car if it saved money. That innovation brought total savings of around £200,000 last year.

We managed an overall saving of 6 per cent last year and the encouraging fact is that, so far, this year the level of sav-ing has effectively doubled." Another good example of the

system's usefulness followed a review of photocopying costs for all central departments. By

Whitehall, sensitive to criticism that little has been done to boost more effective buying procedures, is monitoring the experiment

provide savings. That arises from action taken by staff on information available at the touch of a button."

The new approach appears to be pointing the way to sig-nificant benefits for the taxpayer. Areas covered include the departments of Agriculture, Education, Environment, Finance and Personnel, Eco-

nomic Development and Health and Social Services. Last year the system pro-duced savings of £17m across central government depart-ments or 6.3 per cent of a total £269m spent on goods and ser-

vices. The introduction of a car scheme was a result of the censcheme was a result of the can-tral purchasing initiative. By analysing the mileage allow-ences costs of civil servants mangers quickly discovered that in many cases it would be more prudent to provide cars analysing contracts a new deal was negotiated which produced savings of more than £200,000 last year.

The system enables senior

management to gain access to a wida variety of performance indicators. They show the relative spending patterns of cer-tain key commodities across the various divisions of the public sector. Access is gained by personal codes and users are able only to review that information for which they have clearance. Because it has been target

ted for use by both members of the Northern Ireland Office ministerial team and professional purchasing officers, the service is easy to use and provides information in simple graphical display, highlighting areas for further investigation. Last year the system was expanded to provide an online

index of 4.500 Northern Ireland companies able to supply goods and services to the govern-ment. It enables purchasing officers to scan a variety of products and the costs

Developments under way include online access to HMSO catalogues using free text retrieval methods of access, and the production of an integrated purchasing information system showing where goods and services may be purchased on the best terms.

.There is an incentive for good cash management and prudent purchasing procedures. A general principle has been established that money saved will be made available for priority projects within

denartments. The experiment is being carefully monitored by Whiteball, already sensitive to criti-cism that little has been done to provide for more effective

purchasing procedures.
Earlier this year Mr Michael
Heseltine, Conservative MP,
said sophisticated mangement information system technology was essential if the Government's aim of reducing the size of the Civil Service and getting better value for money was to be achieved. Mr Heseltine is concerned that progress has been slow and has called for a Treasury minister to be appointed to oversee management information system

developments.

Northern Ireland is a relatively small department in the context of overall UK Government expenditure, but the results are unlikely to be



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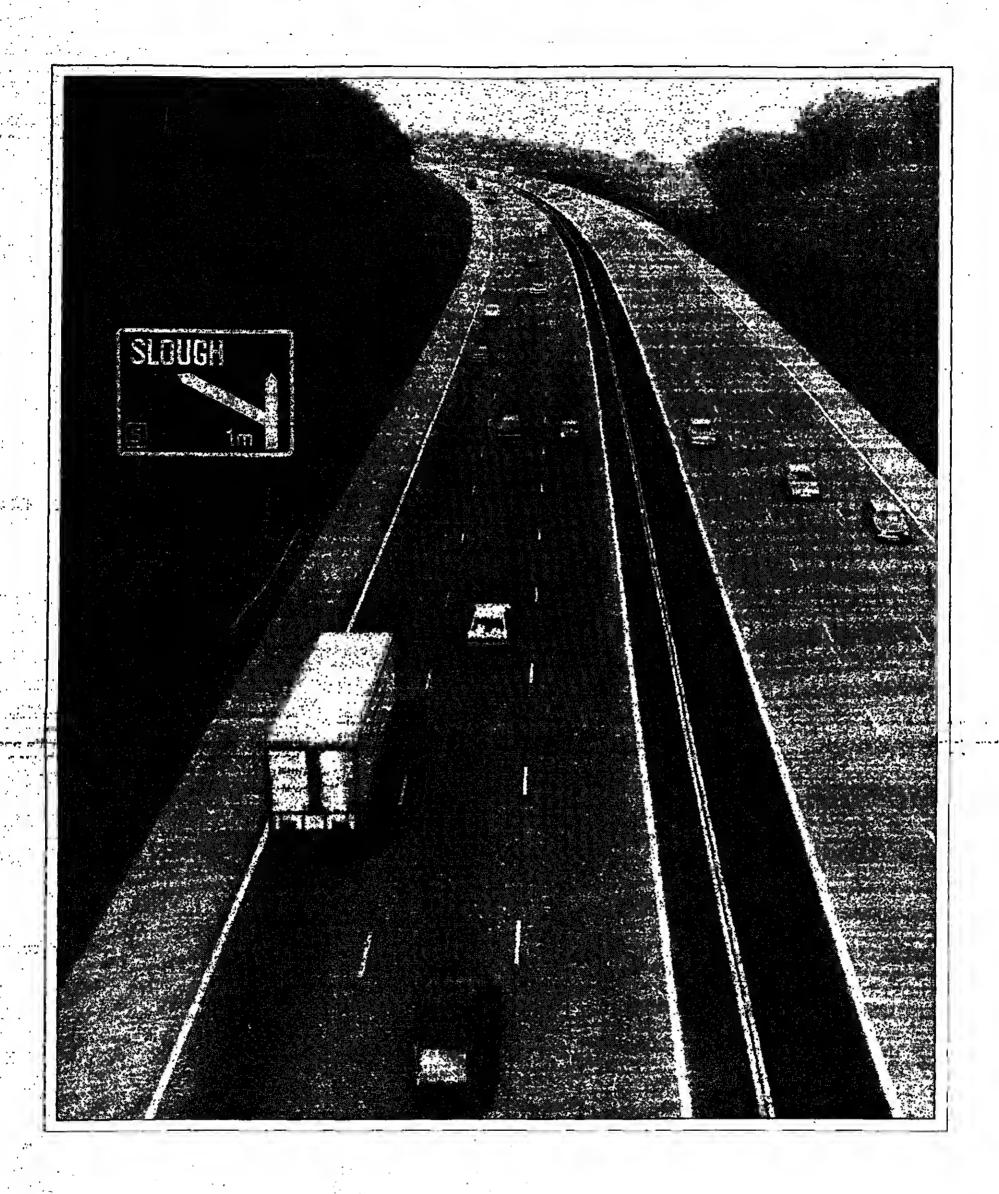
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WAKE UP TO THE NEW AGE OF



the 1960s, still comes back to haunt Short Brothers as Northern Ireland's biggest industrial company starts a new life in the private sector, under Cana-

The veteran freighters. bought back from the RAF by a transport company, are used these days to ferry wings to the Netherlands for assembly in Fokker airliners. Until the Tucano trainer, now being built, it was the last aircraft ordered from Shorts by the British Government: a gap of 25 years.

Shorts went ahead in 1960 on the basis of an expected requirement for 30 aircraft. But the order stopped at the original 10, leaving Shorts to carry the bulk of the development costs; the Government, as its shareholder, never relieved it of this debt burden.

Shorts never had much reason to be thankful for nationalisation. It was taken over in 1943 because of difficult rela-tions with the Ministry for Aircraft Production. After years of Government failure to provide the capital it needed, this year's privatisation has been greeted with considerable

The transfer to Montrealbased Bombardier, formally signed on October 4, came with a £750m net dowry from the British taxpayer. Against the sale price of £30m, the UK Government is providing £780m in grants, waived debt and interest-free credit. In the year to March 1988, before it was put up for sale (the last published results), Shorts had shown a loss of £142.5m, including exceptional write-offs, equiva-lent to 74 per cent of its turn-

When the takeover was cleared by the Department of Trade and Industry, it was lumped together in the same announcement with another operation by a French undertaker. But Shorts sees its change of ownership not as a funeral but as a resurrection.

The Canadian group, which made its name in snowmobiles, branching out into fields rang-ing from trams to the Canadair erospace company, has promised to keep Shorts' identity and to initiate a "major mod-ernisation and re-equipment programme." Shorts, whose

THE LUMBERING form of the Belfast freighter aircraft, a ally unautomated, needs it. Investment, running at an Investment, running at an average of about 25m a year for the past five years, according to the company, is set to

leap to about £200m in total over the next five. Shorts still uses original buildings from 1937, when it first set up manufacturing in Belfast, then in a joint venture with the Harland and Wolff

The two pillars of Northern Ireland industry rub shoulders on the eastern shore of Belfast Lough, next to the Shorts-operated Belfast City Airport.

Harland's decline has left Shorts, with its workforce of 7,200 and four main industrial sites in the Belfast area and in Newtownards, as the province's largest manufacturing employer. Shorts concentrated its activ-

ities in Northern Ireland after the Second World war, leaving its Rochester, Kent, base. The company can claim to have been the world's first aircraft manufacturer, its title to that claim being a 1909 contract to build six biplanes for the Wright brothers. It designed and flew the first all-metal aircraft, and was a pioneer in fly-ing-boats. After the Second World War, however, it turned to relying beavily on participa-tion in other people's ventures, such as the Canberra bomber, the Comet and the Bristol Bri-

tannia. led it into aircraft research and into missiles in the late 1950s. In the 1960s and 1970s rugged box-like Skyvan aircraft and shoulder-held Blowpipe missile established today's main prodnct families. Bombardier has promised to

keep Shorts as an integrated design and manufacturing unit. It is committed to holding the shares for at least four years, and Shorts management is confident that the Canadian company is in for the long

It makes a curious alliance: a company firmly rooted in Cath-olic French-speaking Canada, saviour of this stronghold of working-class Protestantism. The link has forced Shorts to abandon the FJX twin-jet air-

craft project it was working on, in favour of the Canadian group's RJ regional airliner. Shorts will make about 25 per cent of the airframe for the RJ,



SHORT BROTHERS

# New life in the private sector

a stretched version of the current Challenger, allowing it to maintain the same overall halance between its main activi-

But Shorts is still having to take on a lot of changes in a short time, beginning with a recent switch from a centralsed structure to five operating

Its civil aircraft division is a slight misnomer since it includes not only the 360 com-muter transport aircraft, a descendant of the Skyvan, but also the Sherpa, military ver-sion of the Shorts 330 made to US requirements.

Military aircraft covers one product - the Brazilian-de-signed Tucano, chosen by the RAF in 1985 and largely remade to accommodate a larger engine, at the cost of a year and a half's delay — and logis-tic support for military clients. Despite the hold-ups, the Tucano has orders from Kenya and Kuwait for 30 aircraft, in addition to the 130 being made

However, a large share of Shorts aeronautical engineering skills go into bits of other sircraft, grouped as "aerostruc-tures." These include wings for the Fokker 100 airliner, rudders for the Boeing 737, wing flaps for the 757, landing-gear doors for the 747, and jet engine nacelles. The company also has a separate "manufacturing" division devoted to

parts and increasingly geared to composite materials. Finally, and less visible to outside eyes, there are defence systems, which apart from Shorland armoured cars, reflect Shorts' successful line in close-range guided weapons. Following Blowpipe and its Javelin derivative, a purpose-built facility at Castlereagh is being equipped for the Star-streak high-velocity air-defence weapon. The £225m development and initial production. contract awarded three years ago was the biggest Shorts has ever won.

Security surrounding this activity has been further tightened following a small scandal over two technicians who were wooed away by South Africa. Along with this reorganisa-tion, changes have been under

way for the workforce, the way it works and the way it is recruited. Almost 700 redundancies were announced in the summer, but management sees no immediate threat of further

On the other hand, working practices, a source of consider-able notoriety, are under review. A separate and flexible union agreement was worked for the Tucano, built by a separate unit, Shorts Light Aircraft (Shorlac), with a young and enthusiastic workforce.

Shorts' other reputation, as a Protestant bastion, is some-thing on which the company used to be defensive. But it now believes it can be regarded as a pace-setter for other com-panies in Northern Ireland, In panies in Northern Ireland, In the wake of fair employment

legislation in the 1970s. it says it has managed to increase the proportion of Catholics in its workforce from about 5 per cent to about 11 per cent, set-ting up a recruiting office in central Belfast and trying to project itself to Catholic schoolchildren.

Efforts to establish a "neutral working environment" have brought some spectacular clashes, with regular conflicts over orders to tear down Union flags and Loyalist emblems festooning the workshop walls. But in this year's summer marching period, the flag war was avoided for the first time.

These days just one Union flag flies, year round, on the mast above the main headquarters building. It is part of the the agreement. But there were new flags out, Canadian flags in the aircraft assembly build ing when Shorts was formally handed over to its new owner and nobody at Shorts was in a mood to object.

David White

Output remained steady and the survey also showed an 8 per cent increase in those com-panies expecting to be operat-ing at almost full capacity in the months ahead.

The construction industry has also suffered, like many other sectors, from the continned terrorist campaign. Contractors and employees of com-panies have been murdered by the IRA for carrying out work on security force bases and some companies have had to hand over money to paramilitary organisations to enable them to continue the work in certain areas.

For some smaller operators, the demands made by criminal elements have made it impossible to pursue contracts. Where extortion and intimidation has been proven the Northern Ireland courts have dealt severely with offenders.

Jim Flanagan

industry trends: Harland and Wolff (Isra) has been welcomed by the business much and an eng the South Korean-owned Daewoo video part in County Antrin

**Profile:** PerfecsealNuprint

# Export leader

up by Mr Alan McClure in 1985. Today, turnover has reached £4m. All but five per cent of the company's output is exported.

It is one of those success stories which crop up in the prov-ince from time to time. It has worked because it has a good product — sterile medical packaging - in a growth mar-ket; it has good marketing; and it has a good workforce in Londonderry, a part of the province which needs companies that can provide jobs for well qualified people.

Mr McClure was a local boy.

"I cut my teeth in Ireland, then Europe." Researching for a product idea, he discovered that Ireland was the 11th largest manufacturer of medical and pharmacentical products in the world.

With the help of grants and guidance from the Local Enter-

guiance from the Local Enter-prise Development Unit (LEDU), the province's small business organisation, he set in a company to package prod-ucts for the industry. Quality was the main requirement in a was the main requirement in a business which is dealing with products that quite literally can mean life or death. Companies compete not so much on price but on the sterility of their packaging. Over 40 per cent of recalls in the industry are because of poor packaging.
Mr McClure's European
experience stood him in good
stead. His first customer was

in Ireland, but his second was in Belgium. With the company up and running, he was approached by Paper Manufacturers of Philadelphia, which was looking for a Kuropean

"We were a small company which suddenly found support to finance growth. If they had not come along, somewhere down the line I think my bank The mire of the joint US/ Northern Hand venture, Per-fecseal Number, was able to expand yickly, and it emerged as more structured

emerged in more structured company.

It is "top very with managers" who is recruited "from a fair bit of the d." Most had worked in other device companies. The understood the business. Most had the testifies to the fact at there is no difficulty insecriting good people in the part of the world. "You is get graduates applying for ally inspection jobs," so unant are they to get a foot on a ladder.

Government support for enterprise, "In he received, is vital to the ball of the future of the province of the province of the graduates are just as a marketing are just as a marketin

with the " I of the indus-trial Development Board, a civic group while includes the council and the includes the

Fund for Ireland
Mr Willie Manyon is chief
executive of the rw company.
Its aim is to help primes help itself by making more con-scious of the learns of marscious of the lands of marketing. As a first step, he plans to put a marketing/business grantes into local industry. They will receive formal rating in conjunction with the College in the city. Their property will be monitored week by Mr McKeown in a maker which will develop their rolls, and, it is hoped, as which the companies with which they are placed to take them in as marketing managers. keting managers.

Head Dutty

VISITOR returning to Belfast after several years could be forgiven for thinking

he had arrived in another city. All around he would notice the new shopping precincts. refurbished office blocks an multi-storey car parks that symbolise the city's commercial revival.

Using Belfast's relatively new West Link road network to venture a little further from the city centre, be would see the neat new public housing estates built as part of an ongoing programme of urban

it appears the province's tion industry has been busy. The reality, however, is that construction output and employment has merely undergone a modest recovery since 1986 when the industry was in a state of deep crisis.

A report prepared three years ago by the Federation of Building and Civil Engineering

Contractors in the province showed output and employment dropping rapidly and public expenditure on construction cut to a much greater degree than in the rest of the

Since then, all sectors, with the possible exception of civil engineering, have seen an increase in demand with new work emanating from the pri-vate commercial and industrial

The growth in private sector demand has replaced some of the lost public sector construction programme, which has been reduced in accordance with government policy on

capital expenditure.
Turnover in the Northern Ireland construction industry now stands at about £1.5bn a year, representing some 20 per cent of the province's gross domestic product.

About 35,000 are employed in the industry's 2,500 construc-tion companies. The turnover breakdown is estimated at 2750m public spending, 2500m private commercial and £250m

In recent years the private bouse building sector in the province has seen record levels

tions is expected to fall and may continue to decline for the

CONSTRUCTION

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There are signs, however, that demand is slowing and of the EC. this year the level of comple-

next few years.

Policy over public sector housing, which is the responsibility of the Northern Ireland Housing Executive, has seen a distinct change in emphasis. The executive has reduced its programme of new starts to concentrate on improving and

rehabilitation of existing stock. This policy is set to continue as the executive does not fore-see any immediate increase in their planned level of starts of some 1,200 units a year for the

next two to three years. The battle to win public authority housing contracts is intense and competition among companies fierce. A director of a small building company said: "I would say competition is tougher than ever. With so many companies vying for work, one is faced with the dilemma of quoting a realistic price allowing for a modest profit margin or pitching delib-erately low to fend off competitors. There is no room for

The general contracting sector has benefited from the majority of the increased majority of the increased demand from private, commer-cial and industrial projects. In addition, the pump-priming effect of urban development grants have helped the regen-eration of Belfast city centre while the Laganside Project, a multi-million pound initiative, has revitalised the city's river

Proposed cross-harbour bridges are expected to provide further opportunities for Northern Ireland based con-

struction companies.

A recent announcement of a grant of almost £500m from the European Community, as part of its revision of structural funds, will mean increased expenditure on infrastructure, and in particular transportation schemes throughout the province. The aim is to improve the effects of Northern Ireland's peripheral geographic location in relation to the rest

The Federation of Building and Civil Engineering Contractors is playing an active role in assessing the implications for the industry of the Single European Market in 1992. In particular, the new Con-struction Products directive

will have a profound effect on all aspects of building and con-struction in the EC. This directive sets out the ground rules to be met for the standards applied to construction products to be used in the Community. Member states have until June 1991 to implement the directive by national legisla-

Quality assurance is also becoming increasingly impor-tant as government policy gradually introduces this ele-ment in both construction products and through third party certification of construc-tion companies who are able to guarantee the standard of

work provided.

The federation in Northern Ireland is currently preparing a manual in order to advise members on how to achieve quality assurance in accordance with BS5750, which is the standard for quality assur-ance systems in the construc-

tion industry. More controversially, the federation has also begun to "cowboy" builders and the poor image created by them in the industry.

It has launched a "building

guarantee scheme (Northern Ireland)" which allows those builders which are approved by the scheme to offer a guarantee on their work for up to

two and a half years.
The latest quarterly state of trade survey published by the federation shows that work remains stable with increased activity predicted. While the number of companies reporting increased activity dropped slightly in the quarter to August, more than 20 per cent more than in the previous quarter said they were working at the same level.



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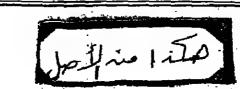
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Gallaher Tobacco is the leading tobacco company in the U.K. and is porticularly proud of its roots in Northern Ireland where, as well as being one of the largest private sector employers, the company supports a wide range of community interests.

Through the Gallaher Business Challenge Awards Scheme, now in its fourth year, Gallaher aims to highlight outstanding examples of small business development in Northern Ireland. Also, as one of the major funding bodies since 1981 of the highly acclaimed Ulster Orchestra, Gallaher is supporting a vital aspect of the Arts in the Province.

Gallaher's relationship with Northern Ireland spans two centuries and the company is firmly committed to continue being part of Northern Ireland in the future.





handling farming better and farmers themselves could be doing more to sell their pro-Highlighting the changes under way in an industry which gives employment to more 60,000 people and produces an annual gross output in excess of £800m, the Eco-

nomic Council paints a picture of change for the future. And it suggests that to cope with these changes, Northern Ireland needs to develop a clear perspective on the needs of and opportunities for all of its rural society." However, there is, it adds, "little indica-

on this is happening."
On the role of government, it states: "Policy on agriculture in Northern Ireland often appears to be formulated separately from policies on the rest of the economy. Co-ordination at a policy level between Government departments which have responsibilities which impinges upon agriculture seems limited."

The Economic Council warns too of the "negative consequences" which could arise from the probable concentra-

#### **AGRICULTURE**

# Ominous warnings in the wind

tion of the food processing industry and distribution sec-

"At the moment only four or five of the top European Com-munity-based food companies are present in all the five largest EC national markets while about half are present in only one or two countries. Major consolidation is already under way and a reduction in the

According to an influential group, the province needs to develop a 'clear perspective on the needs of and

of its rural society' number of buyers of farm produce in particular locations is

opportunities for all

The council states that retailing is likely to become even more dominated by the multiples with farmers having fewer potential buyers for either processing or retailing. Farmers' bargaining power will be reduced, it adds.
"As the market becomes

more concentrated these diffi-

culties could intensify," it

The council believes it is in the area of food processing and marketing that the European Single Market in 1992 will have its most immediate impact.

Other concerns include the occasional failure of the industry to produce adequate sup-plies of consistently high qual-ity product lines, particularly lamb and vegetables. Employment in Northern

ireland agriculture has remained remarkably stable over the past six or seven years compared to other regions of the UK.

The past year has however, proved to be a fair one for Ulster's farmers. Earnings increased by 6 per cent, boosting farmers' income to an esti-mated £120m, the second highest level in real terms during the past 10 years.
According to the Department of Agriculture's Statistical

Review, while input costs rose by more than producer prices the effect of this was more than offset by a 3 per cent fall in the use of inputs. The volume of agricultural output was virtually the same as the previous year with higher market-ings of sheep and lambs, poulhorticulture crops being bal-anced by lower sales of milk nigment, eggs and potatoes. A rise in the average dressed carcass weight of cattle com-pensated for a fall in the num-

ber sold for slaughter or

And the average of all prices received by farmers for their produce is estimated to have increased by 3 per cent result-ing in a corresponding rise in the value of gross output from

£779m to £820m.
Prices for feeding stuffs and imported cattle were higher than in 1987 as were machinery maintenance and operating costs. The effect of these unit cost increases and a rise in the importations of store cattle were partly neutralised by lower purchases of fedding stuffs, fertilisers and lime.

Interest payments on farm-ers' borrowings for agricultural purposes in 1988 are forecast to have risen by 4 per cent to have risen by 4 per cent to £29.1m because of the rise in interest rates in the second half of the year.

On the other hand, wage costs, including an imputed cost for family workers, are estimated to have fallen by 2 per cent to £71.8m with a drop in the number of workers more than offsetting a rise in average earnings Capital investment decreased by 8 per cent. Buildings and works capital forma-tion are expected to have declined by more than 20 per cent following the closure of

several government-funded agricultural schemes. Investment in plant, machinery and vehicles increased by 22 per cent, and tractor regis-

Without doubt we are

living through the last days of end-price support and must prepare ourselves for total dependence on the commercial

market'

trations by 13 per cent.
Agricultural census returns revealed there were 3 per cent fewer dairy cows but 5 per cent more beef animals in the province last year. But the total cattle breeding herd remained virtually unchanged. There was a further significant increase in sheep numbers which passed the 2m mark for

The number of holdings and

farm husinesses in Northern Ireland decreased by less than 1 per cent and while fewer farmes were classified as dairy-ing, mixed and cropping, there were more in the categories devoted to beef cattle, sheep and horticulture.

According to Mr John Millar, chairman of the province's Livestock Marketing Commission, 1988 was a year which produced unsatisfactory returns for farmers feeding winter cattle.

"This has accentuated our seasonality of production and made it difficult to trade with supermarkets who want beef supplied to them 52 weeks a year," he says.

"Without doubt we are living through the last days of endprice support and must prepare ourselves for total dependence on the commercial market where to achieve the best prices, we will have to add much more value to our pro-duction and make it competitive and attractive in the retail and niche outlets in Europe.

"This will not be easy for our meat plants which have had a difficult time in recent years with insufficient livestock to enable them to trade profitably," he adds.

Whether or not Mr Peter Bottomley MP, who was given responsibility for agriculture in the province in last sum-mer's cahinet reshuffle, will help sustain the lot of farmers remains to be seen.

Michael Drake

#### Profile: F.G. Wilson

# Family flexibility



Tom Wilson, chief executive (front), brother Gordon, sales director (left) and Mike Antonis, business development director

MR TOM Wilson, managing bought in from Perkins and director of Belfast engineering company F.G. Wilson, is fairly typical of the families who own and manage some of the province's most successful

companies. There is no need to go public when the Ulster Bank provides the company with all the necessary banking facilities. And the Industrial Development Board has helped with market-ing and research and develop-ment. The Board was also a great help to the company when it moved into its current when it moved into its current building in 1986. Mr Tom Wilson is chief exec-

utive. The company was set up by his father, Mr Fred Wilson, chairman, who is now running another part of the group that has developed a range of douhle deck trailers. Two other sons are senior executives. But family is no guarantee of seniority. There are other Wilsons in the company who have not made it to the top.

Generating sets and power systems are the mainstay of the business. It makes more than 5,000 generating sets a year, mostly upwards of 200 kV. It makes standard sets, produced on an automotive type drag chain production line, and custom-made.

"Our advantage over bigger companies is that we can make decisions quickly. We have total flexibility. It would not matter what the husiness opportunity was, we would look at it. We would make anything with a diesel engine," says Mr Andrew Wil-son (not family), an engineer who joined the founder of the company shortly after it was set up, and went on to become financial director The bulk of the engines are

Detroit Diesel. They have to be shipped in, the final product shipped out. But location is not seen as a problem. The company has its own transport

And it is is highly exportoriented. Originally, it looked to Britain. "But it was difficult," says Mr Tom Wilson, "so we went further." By 1983, it was the source for 10 per cent of the UK's generating set exports. And now it is running at 40 per cent.

The Irish Sea is just one stretch of water among many when exporting to 115 counas the Middle East, Italy and the US.

The Wilsons learned the hard way ebont exporting, however. Initially, it was beavily conceutrated in Iraq. But the market collapsed. Now the strategy is diversified markets, and maintaining an edge with technological developments in order to increase market share.

F.G. Wilson employs 400. About 10 per cent are graduates, mostly in engineering. It has its own training facilities. Such companies are important for the continuation of the engineering tradition in Belfast, particularly since the transfer of Short Brothers and Harland and Wolff to the private sector has put a question mark over their future size and training capabilities.

The company is not unionised, and admits to paying rates for skilled labour which are lower than some competitors pay. Nevertheless, it has

**Hazel Duffy** 

#### PROPERTY

# A lop-sided market

THE special conditions of Northern Ireland have ensured that the local property market has a rhythm of its own. To be sure, it has had its own surge in values like the rest of the country, but they have been largely confined to the retail

The dead hand of what the Irish call "The Troubles" has effectively scared off institu-tional investment. The lack of economic momentum as Northern Ireland lags behind other British regions in seeking a substitute for troubled tradi-tional industries has been a brake on the office and indus trial sectors. The importance of relying on the Government the public sector has made the

sive player in the marke All of these different factors crystallise in John Laing Developments £60m Castlecourt project, opening next spring and freely projected as a symbol of Belfast's renaissance. It is, of course, of vital importance in extending the narrow geographical confines of the city centre and in providing a commercial and envi-

ronmental stimulus. But the project, 325,000 sq ft of retail space and 175,000 sq ft of office space, has double comfort from the Government, in the form of an urban development grant and probably more

importantly, a commitment to lease the office space.

For large Projects, it seems clear, the private sector does not yet have the confidence in the political security and eco-nomic advance of Northern Ireland to act wholly indepen-

The Government appears to understand this very well. Mr Richard Needham, a junior minister at the Northern Ireland Office, recently

TWO YEARS ago the hinterland of a one and half

mile stretch of the River Lagan meandering through Belfast city centre was synony-mous with urban decay, busi-ness withdrawal and pollution.

Today that same area offers

an investment opportunity of up to 2700m, the prospect of 5,000 new jobs and vision of a thriving port environment on a par with any city in Western

The catalyst for change has been the Government's Lagan-

side initiative which has attracted interest from investors based in Northern Ireland and Great Britain.

Laganside Ltd, formed by the Persyment of the Privilege.

the Department of the Envi-

ronment to promote the regen-eration of Belfast's waterfront,

handed over control of the project to the new Laganside Corporation earlier this year. Its main task is to create an effective partnership between the public and private sectors.

the public and private sectors and turn meticulous planning

The corporation's first

annual review this year high-lighted achievements to date

and outlined plans for nine

prime sites of between one and

Two sites have already been

relased for development. A

three acre area, known as the McCausland site, has been released to Aero Properties, a private developer. The £18m

project, chosen from a list of six submissions, will comprise

150,000 sq ft of offices, 15,000

so ft of ground floor retail, a 850 space multi-storey car park and 24 flats. But that is just the beginning.

into tangible results.

60 acres.

naveiled the plans of Ewart, the biggest indigenous property developer in the region, for a 210,000 sq ft office com-

These plans are the largest of their kind in Ireland, north and south. Ewart hopes that the complex will attract companies and official bodies relocating from the other side of the Irish Sea: But, given the security situation, the advantages of Belfast over Scottish centres, Newcastle, Leeds, Cardiff and so on for the private sector do not appear over-

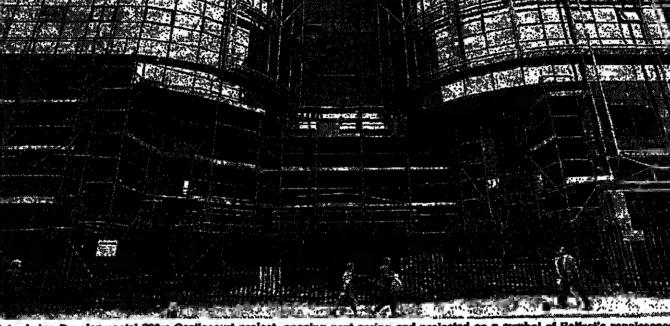
whelming. Effectively then Ewart is the public sector has made the relocating more offices from Government a slient but persa. London, Mr. Needham's presproject of regeneration seemed to mark an alliance of thinking on the topic.

In the industrial sector, the most significant player remains the industrial Development Board, an official body with a battery of grants and

incentives at its command.

None of this is to suggest that nothing happens in Northern Ireland, but it is to convey that the market is lop-sided. What has happened is that, led by the retail sector, some confidence has filtered back into the market.

This confidence has been created by the retailers themselves. Their own search for fresh ontlets took them out of the mainland from the mid-·1980s onwards. It led first of all to the extension and renova-tion in Belfast of existing premises - Marks & Spencer, for example — and latterly to a readiness to pay substantial premiums for lease acquisi-Etam, for example. The centre of this activity



John Laing Developments' 250m Castlecourt project, opening next spring and projected as a symbol of Belfast's renaissance

upwards and have reached £140 Zone A in the prime pitches like Donegall Place. But these rents are not strictly comparable with England, as in Northern Ireland Zone A covers the first 25 feet from the front of shop and not the first 20 feet as in

England. There has also been some steady investment activity from property companies, run-ning through from Land Secu-rities' purchase of a shopping centre at Newtownards, County Down, to the more recent acquisition by Carroll Group of a shopping centre at Ballymena: total space of 175,000 sq ft for more than £7m, a modest price compared with what would have been paid in England for a comparable cen-

Office developments, save for the plans of Ewart and John Laing Developments and a scheme drawn up by Brook-mount, before its takeover by

has been Belfast, but then Bel- Ford Sellar Morris, for 110,000 fast is the main focus of the Northern Ireland property market. Retail rents have been est scale. There has been little evidence of the developmen enthusiasm recently observed in English regional centres.

Although the cost basis is wholly different, Belfast rents have not been such as to send the developers rushing for sites. In the city centre they have now reached £8.50 a sq ft, but this is the lowest of any British regional centre.

Industrial rents in a city where economic decline has created extensive empty space are less than £2.00 a sq ft, rising towards £3.00 in en Enterprise Zoue and £4.00 where there is a relatively high office

The industrial and retail sectors meet at the point of warehousing, the stronger the retail revival the stronger the demand for warehousing is likely to be. But higher interest rates have their effect in Northern Ireland just as well as on the mainland.

**Paul Cheeseright** 

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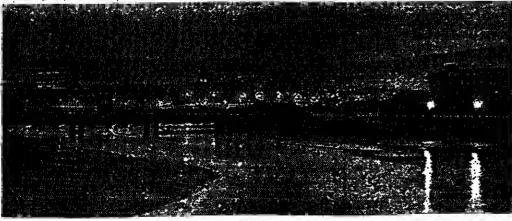


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#### LAGANSIDE INITIATIVE

# Catalyst for change



The mudifate of the River Lagan, soon to disappear as part of the Laganside development

Possible developments on the other sites include a marina backed by riverside flats, a maritime museum, a 200-bed hotel, concert hall, lei-sure facilities, and a gateway centre where visitors to Northern Ireland could learn something of what the province has to offer.

Deloitte, Haskins and Sells have also completed a feasibility study for a European trade centre which could be set up as a base for European trading operations in preparation for the introduction of the Single

Market in 1992. One of this year's more significant developments was the

appointment of Mr George Mackey, former head of the Local Enterprise Development Unit (LEDU), Northern Ireland's small business agency, as chief executive of Laganside Corporation. Mr Mackey has a blend of involve-ment with private industry and detailed knowledge of the private sector which should help Laganside reach its full

Aiready the Government has given firm commitment to a 260m investment programme designed to improve both the infrastructure and the local environment. The city council, Belfast Harbour commissioners and the Northern Ireland Housing Executive, who between them own more than 80 per ceut of Laganside's 120 acres, have all been keen to co-operate in the venture. A Laganside Community

Environmental Project involving local groups has also been set up partly to promote a sense of caring for the envi-ronment, and improve the employability of local people through training and work experience. The aim is to ensure they can compete effec-tively for the jobs which will result from Laganside.

# Beset by twin problems of poor demand and rising imports

A FEW weeks ago the builders and building tools that have cluttered up the ground around Herdmans at Sion Mills in County Tyrone was cleared away as the company prepared for the official opening of its new linen mill.

The £17m mill marks a watershed in Herdmans's history. The mill has been equipped with the modern, flexible machinery needed to compete against the giant Italian linen groups in the international marketplace.

Last year when Herdmans finalised its plans, the mill was seen as a symbol of the new, expansionist mood of the Northern Ireland textile industry. Herdmans, and other local textile companies, had emerged from the dark days of the early 1980s with a new confidence. The Sion Mills project was one

The Sion Mills project was one of a long line of textile investment programmes in Northern Ireland during the year.

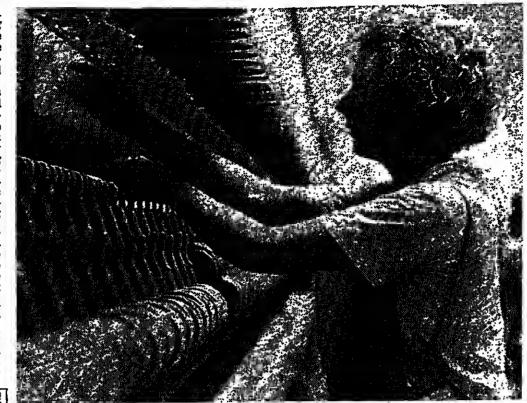
This year the mood of the industry is more subdued. Some companies — including the line of the country of the country of the line of the country of the line of the l the linen mills, which compete in the international marketplace – are still faring well. But the carpet and clothing companies that dominate Northern Ireland textiles have been beset by the parallel problems of dwindling demand and

increasing imports. So far Northern Ireland has emerged relatively unscathed from the painful cuts and closures that are affecting so many areas of textiles in Britain. Yet there are already reports of short-time working at some Northern Ireland companies and the flow of applica-tions for investment grants into the Industrial Development Board (IDB) is slowing

of the Northern Ireland econ-omy for over a century. The industry traces its origins to the linen mills built in the early 1800s to process the flax

grown in rural areas.

The industry hit its heyday when the Lancashire cotton mills were starved of raw materials by the northern blockade of the southern ports. It was then that clothing facto-



Troubled times: there are already reports of short-time working at some textile plants

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ries sprang up alongside the linen mills to turn the linen

into shirts and sheets. Today textiles and clothing employ around 29,000 people in Northern Ireland, or three out of every 10 people employed in manufacturing. Linen is still an important sector, but the industry is now dominated by the production of carpets, shirts and lingerie.

Although there are still hun-

dreds of family-owned compa-nies, ownership is largely con-centrated in the hands of large groups. Courtaulds alone employs 1,500 people at its Northern Ireland textile plants. Coats Viyella operates a large carpet factory at Donaghadee and several shirt plants. Lamont Holdings is also a significant player in the carpet

sector.

The preponderance of large companies means that a large proportion of the clothing industry's output goes to the giant multiple retail groups – Marks and Spencer and the Storehouse chains – in Britain. This means that the emphasis in the industry is on exploiting the economies of scale inherent in volume pro-

There are obvious disadvantages for a large textile group to operate in Northern Ireland. Terrorism is the greatest threat, Five years ago a Courtaulds clothing factory in Armagh was destroyed by the IRA. Courtanids received grants to pay for a new plant

but by the time it opened most of the original workforce -and customers - had moved to other companies.

Distribution also poses a problem. It tends to be more expensive to ship goods to British retailers from Northern Ireland than from Scotland or Wales. If there is a dock strike or stoppage, companies some-times have to move goods by air at extra expense.

Yet there are also advantages. The long tradition of tex-tile production means that there is a legacy of skills among the workforce and an established infrastructure of textile finishing and processing

The availability of IDB which provide

#### **TELECOMMUNICATIONS**

# The rich rewards of STAR status

NORTHERN Ireland is on the verge of a telecommunications revolution which will give the province important technologi-cal edge for the European Sin-

gle Market in 1992. As the only UK region par-ticipating in the European Community's programme of Special Telecommunications for Regional Development (Star), the potential for local

business expansion is huge. Created by the EC Commission three years ago the programme targets certain less favoured regions - currently Greece, Italy, the Republic of Ireland, Spain, Portugal,

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Training Centres: an important res

France and Northern Ireland with the aim of strengthening economic bases, fostering job creation and raising technological standards. Mr Tom King, the former Nortbern Ireland Secretary, has compared the initiative to the advent of the steamship and

in Northern Ireland British Telecom is integrating the Star measures into an expanded programme costing around floom over the next three years. BT Northern Ireland was chosen by the Department of Economic Development to implement the programme in the face of competition from

Star attracted an award of £7.25m from the European Regional Development Fund. which will be used towards the cost of developing an optical fibre telecommunications net-work within the province and Britain and the Republic of Ireland offering access to advanced communications and

European databases. It will make distance irrelevant to business activity and, according to BT, shift North-ern Ireland from the edge of Europe into becoming a key bridgehead between Europe and the United States.

Mr Doug Riley, BT Northern Ireland's chief executive, is in no doubt about the potential for growth, especially among small to medium-sized businesses. "They will find them-selves able to compete with Europe and the rest of the world on a better than equal basis via one of the world's most advanced voice and data networks," be says

"Their contribution to our partnership with the Department and the EC will be in terms of imaginative ideas and entrepreneural skills to capitalise on our high-tech lead."

Developments in telecommunications have already brought much needed jobs to the prov-ince this year. Standard Telephones and Cables, the UK information and communications group, is creating 200 jobs at its factory near Belfast. The centre will be a telecommunications "think-tank" staffed by graduates working on innovative products.

BE Northern Ireland is providing a further 200 jobs in the province in a high-tech answer to the boom in London's directory inquiries. Ulster operators will be taking calls from specially selected telephone exchanges in a £1m a year boost to the local economy. It is a good example of how modern computer technology can shrink distance and provide work in areas far removed from where a service is

While the province already bas an advanced BE network Star will provide further benefits earlier than expected. Fibre optic technology repre sents the future for quality, high-speed communications with hair-thin fibres of purest glass able to transmit vast quantities of information on

nal speeds.

It is ideal for delivering large amounts of uncorrupted computer data, high definition television, two-way video and will facilitate practical develop-ments such as home shopping. Benefits for the province will

Significant reductions in the real cost of non-voice services; for example, a single A4 sheet or graphic will fax in around five seconds, slashing the communications bill for large voltimes of data

special digital equipment at 44 locations throughout North-ern Ireland will allow advanced communications from a single telephone

small businesses will be able

to benefit from advanced communications accessed by using existing terminals or personal

simultaneous voice and high-speed data transmission will be available to husiness in all areas of the province using the latest equipment provision of specially

switched transmissions down ordinary telephone lines from computer to computer, previ-ously available to only large businesses able to afford dedicated private circuits extension of advanced data

facilities into remote areas of Northern Ireland which would not be available purely on commercial ground: The potential for job creation in high growth computing based industries in the prov-ince could run to many thou-

sands but it will depend on

how Ulster companies respond

to the challenge The physical work of putting the Star infrastructure in place will be phased in over the next 18 months. Mr Riley says the ball is firmly in the court of the province's entrepreneurs. His own company has already been persuaded to base a software centre in Belfast employ-

ing 150 graduates. Mr King does not feel the comparison with the steamship and aeroplane overstates the position. "What fibre optics throughout Northern Ireland will do for communications is eliminate distance altogether. The challenge for us now is how to use this for the benefit

Jim Flanagan

roughly 25 per cent of the cost of expansion or reinvestment programmes — is also an incentive, although most companies are insistent that they would not commit themselves to a project unless it made commercial sense without the grant. One chairman described the grants as "compensation" for the problems of operating in Northern Ireland.

The UK textile industry is currently struggling against intensely competitive conditions. The combination of increasing imports and sluggish spending - depressed by higher interest rates - has imposed pressure on output and profitability. Short-time working and

commonplace in some sectors of the industry. The Northern Ireland companies have been affected, albeit to a lesser extent than their British coun-

The clothing companies have been hit by the increase in imports. There has been some cost cutting. Most companies have shed labour through natural wastage, but there have been some redundancies. Courtaulds was forced to make 20 people redundant at its Meridian Knitwear plant in Armagh

Similarly there is some short-time working in the car-

pet industry, which has suf-fered from the impact of higher interest rates on the housing market and on disposable incomes. But Northern Ireland companies have again suffered to a lesser extent than those in other regions. Coats has closed its carpet plant in Yorkshire to concentrate all production at

The mood of the Northern Ireland industry is far from optimistic But, as Mr Lawson McDonald, director of the IDB textile and clothing division. textile and clotning division, said: "It would be wrong to say there is a mood of pessimism. We have had a good run for the last three or four years. Tungs may be tougher now, but the industry can cope."

#### **ENERGY**

# A year of taking the rough with the smooth

EARLIER this year Northern Ireland's 590,000 electricity consumers took a lot of convincing had nothing to do with the pro-posed privatisation of the industry.

Northern Ireland Electricity, the public utility, amounced a record operating, profit of \$57.4m, the third year in succession that a government sub-sidy was not needed to keep tariffs in line with the highest prices in England and Wales.

A 20 per cent drop in the price of oil, on which the prov-ince remains heavily dependent, helped produce the record performance, yet domes-tic consumers had to contend with a 7.5 per cent increase while industrial and commercial customers faced an aver-

age 11.9 per cent rise.

ME pointed out that prices rose within the framework of the tariff link with Great Britain and that for years the Government had poured mil-fions of pounds into Ulster's electricity industry when fuel prices were high. It was a case of taking the rough with the smooth but that did not stop the trade unions claiming the

ing that, whatever the future shape of the industry, the consequences should not be detrimental to the Northern Ireland

Since the Government's decision in principle was announced, NIE had appointed its own consultants to investi-gate the implications. While

privatisation is the key long term issue affecting the industry, more immediate concern focuses on meeting electricity demand, currently growing at around three per cent a year. In this respect the wheel has turned full circle for the indus-

try with the decision to expand conventional oil and coal firing plant at Kilroot power station near Carrickfergus. Kilroot, Ulster's most modern power station, was completed in 1982 and was designed as a 1,200MW plant consisting of four 300MW of-fired units

oil-fired units.

Huge oil price increases in the 1970s meant only two units. were installed and they have been converted to dual coal and oil firing. Because of the large capital investment at Kil-root it was decided to complete. the other two units as coal and oil firing plant at a cost of around \$150m.

But a commissioning date has yet to be finalised, an issue NIE is keen to settle in order to safeguard continuity of supply.

the trade unions claiming the local industry was being fattened for private enterprise.

Dr Roelof Schierbeek, NIK: through Although the Govern. Ireland remains the best ment decided against exploity domestic market for coal in the cal about privatisation stress. undoubtedly be needed before the turn of the century. It is no secret that NIE has maintained studies of the viability of lig-nite-fired generation to deter-mine the best site for future generation.

Last year also saw the closure of town gas supplies in Northern Ireland after more supply. Research has shown that 80 per cent of the gas cooking market switched to electricity helping to increase

The electricity industry has also led the way in the area of fair employment, setting up a special emal opportunity unit. In advance of legislation making religious monitoring compulsory for most companies, NIE undertook a survey of employees and the unit has been given the job of improv-ing performance in the field of providing equal opportunities

in employment.
The demise of the gas indus try benefitted suppliers of alternative fuels with coal gaining most from the change. Cheaper oil prices increased demand for oil-fired central. heating in the province but many home owners opted for coal oil linkage systems.

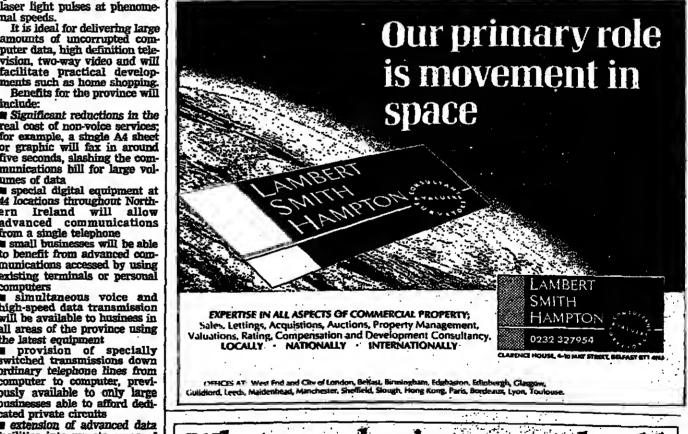
The Northern Ireland Coal

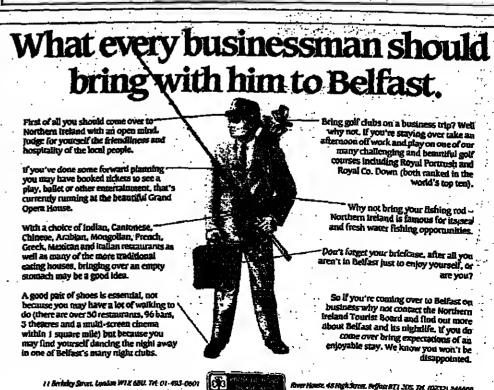
Advisory Service's annual report for 1987-88 showed a from 1994 onwards.

For a region which has his time in seven years. An exceptorically lacked indigenous fuel tionally mild, winter played a supplies the discovery of lig.

homes in the province use coal for main heating compared to about 15 per cent in Britain. It means that more than 20 per cent of domestic coal sales are in Northern Ireland which ha less than 3 per cent of the UK population.

Jim Flanagan





#### FAIR EMPLOYMENT

# New legislation designed to appease nationalist fears

JOBS, or the lack of them, has ing rules against religious discentre of "The Troubles" in Northern Ireland for the past -

The picture is still not a bright one. The unemployment rate in Northern Ireland continues to be the highest in the UK. The number out of work has been dropping but in June more than 15 per cent were job-less. More dramatically, in some areas of Londonderry and more than 70 per cent.

Critics says the new law is dispensing with the criteria of merit in favour of criteria based on religious and political views

shown that unemployment is likely to be considerably worse in nationalist working class areas. A commonly used guideline to the situation is that Roman Catholies males are two and a half times as likely to be unemployed compared to their Protestant counterparts. In further efforts to counter such socially damaging prob-lems, a new Fair Employment last year and; after more than 100 amendments, was finally passed into law in late July.

The new law reinforces exist-

nies to monitor the religious composition of their work-forces and to abide by a code of conduct. Those failing to follow such procedures face having lucrative public contracts and grants withdrawn and in some case hefty fines.
The new legislation also sets

up a Fair Employment Com-mission in place of the old Fair Employment Agency, with con-siderable more powers of investigation.

To some, the new legislation is a retrograde step. Mr. Peter Robinson of the Democratic Unionist Party said that the only result would be further divisions in the workplace. Speaking during a Commons debate, Mr Robinson said the legislation purported to be in favour of fair employment but in reality it was dispensing with the criteria of merit in favour of criteria based on religious and political views.

The Labour Party was meanwhile disappointed that the powers of the new law were not more extensive. The Government feels the new legisla-tion goes a long way towards appeasing nationalist fears about job selection while stopping short of instituting a system of positive and, in some cases, reverse discrimination. Mr Tom King, the previous Northern Ireland Secretary of State, and other ministers, had had led to the new law being introduced. In Dublin, the view is somewhat different. There, it is felt that pressure brought by Irisb officials through the workings of the Anglo-Irish Agreement was one of the key factors in the introduction of the Fair Employment Bill.

Perhaps more significant was pressure being mounted in the United States. In the 1980s a highly vocal and well-organ-ised Iriah-American lobby has been waging a campaign against what it sees as discrim-ination against Roman Catholics in Northern Ireland.

Individual states in the US have been persuaded to adopt the "MacBride Principles", a code which makes investment in Northern Ireland conditional on acceptance of such things as increased Roman Catholic participation in workforces and managerial and administrative posts being set aside for Roman Catholics.

The Government has argued that the "MacBride Principles" represent positive discrimination and would be counter-productive if introduced. Early this year Mr King went on a special trip to the US to argue the Government's case and spell out what he felt was the rigorous religious monitoring that Northern Ireland's companies will have to implement under the new legislation. However, it seems the campaign in the US is continuing

days and the effect of the new law will not be seen for some time. But at the centre of the question is the need for new

The Northern Ireland Office. the Industrial Development Board, and other agencies have done much to promote a new range of job opportunities. But in many waye Northern Ireland has missed out on the boom and the growth in employment levels that has taken place over recent years in other regions of the UK. Many feel the unemployment

Companies failing to follow the rules face having incrative public contracts and grants withdrawn and in some case hefty fines

figures would be worse were it not for the rapid rise recently in various employment schemes, many of which, say critics, are only aimed at creating short term or part-time jobs. Unemployment figures also do not take directly into account the considerable level of emigration from Northern Ireland in recent years. "You can't have fair employment if you don't have jobs in the first place," said one unemployed man in Londonderry.



In spite of the rise in employment schemes, the unemployment rate in Northern Ireland continues to be the highest in the UK

#### INNER-CITY RENEWAL

# Welcome lift for Londonderry

MR PADDY Doherty, 63 years
old, ex-building foreman, is an
important man in Londonderry

European Regional Development Fund, wanted to see
Derry have a chance. (Derry as it is called by every-body locally). He was the initi-ator of the Derry Inner City Trust back in 1979, when the city presented a sad mixture of dereliction by IRA bombs and

poor 1960s planning.
Large-scale re-building was not on the agenda. But Mr Doherty, mindful of the effects of physical renewal on Belfast, which was one of the pilot cities for the attentions of the

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N. P.

was not interested in purely physical renewal. His plan was to provide jobs and skills for young unemployed people in Derry, sporting activ-ities, facilities for the disabled, and to improve the environment overall. His alm was to

regenerate the city.
"If people are not given the opportunity to participate, their emotions are blunted by apathy," says Mr Doherty. He

Trust's offices which recalls the history of the city. His commentary lingers on the injustices of the long distant and more recent past, perpetrated by both sides of the sections of the sections.

tarian divide. The trustees include the Roman Catholic Bishop of Derry, the Church of Ireland bishop, and a non-conformist minister, as well as eminent local people. Mr Doherty was active in the

civil rights movement in Londonderry in the late 1960s. Ha has plenty of first-hand knowledge of the tronbles which have spilled over into his current work. The Heritage Library, so lovingly restored by the Derry Inner City Trust four years ago, fell victim to an IRA bomb attack less than a year later.

But he remains an optimist. He proudly shows off the new "craft village" which was opened recently. But his boldest venture was the castle built near the walls in the north-east of the city on the remains of an

Mr Doherty tells his guests about how he tracked down the owner of the site in London and offered him £1. Planning permission was finally given and the building painstakingly re-created. The plan is that it will lead, historically and physically, to a tiny mediaeval village, a tourist trail in a city which is not naturally on the

itineraty The improvement of the environment is high on the Londonderry agenda. Mr Richard Needham, minister for the economy, is credited by some as responsible for "putting the buzz back into Belfast". He wants to do the same for

Londonderry. In 1988-89, urban development grants totalling film were paid out by the Government in the city, which generated £2.5m private investment. To date, however, the programme has tended to be untargetted.

Hopes now are pinned on a new town centre. The Environment Department is buying up sites. The council hopes that it

can find the financial backing and developers in Boston. Jobs are the prime requirement in Londonderry. Sixty five per cent of the population is aged 35 or under, against 58 per cent for Northern Ireland as a whole. Many are well educated. The response to an

advertisement for marketing and business graduates placed by North West Marketing was almost embarrassing. The Derry Inner City Trust is the best-known example of the way in which some in the city are trying to breach the barriers of divide - which has become more entrenched since 1968 – and high unemploy-

The Noribic Business Innovation Centre is another, Mr Colm Cavanagh, chief execu-tive, projects optimism for the future of his city which is infectious. Sponsors of the centre, set up to help entrepre-neurs and promote exporting technology-driven companies, include the European Commission and many leading banks and manufacturers.

But the business community in Northern Ireland has lagged behind that in Britain in the sense of working with local authorities and government to promote a better future for their city. Strong community leaders need the active backing of local employers.

Londonderry, its physical and human scars all too evident, calls for much stronger leadership which can make the different communities co-operate. The sad fact about the city is that it is because the communities cannot co-operate, except on the most superficial level, that the leaders do not

Hazel Duffy

#### **LEGAL PROFESSION**

# Leaning on the Bar

the 1988 bill for legal aid would be around £12.5m compared

young lawyers are intere

murder several others.

and beyond.

gestion is unfair. However, the enduring belief is at least with £2.7m in 1979. The prevailing criminal legal aid scheme in Northern Ireland partly responsible for the drawas "anachronistic", declared Lord MacKay, adding that promatic increase in the numbers of lawyers practising in Northposals to bring the system into Before the outbreak of the line with the current English current violence two decades scheme were being considered ago, there were no more than Both the Law Society and the Bar Council oppose such a change, which will certainly 60 barristers, 36 of them juniors, in Belfast's centralised

mean a big fee reduction. Bar Library. Today, there are around 300, upwards of 40 of whom are senior counsel. The boom in legal aid is of course another indication of According to Mr Michael Davey, secretary of the North-ern Ireland Law Society, there the overall expansion in legal services. But both the Law Society and the Bar Council are now 1,150 solicitors in are aware that saturation point Ulster, a figure double the statistic of a decade ago and probably treble that of the 1960s. has probably been reached. As a result, a growing number of newly-qualified lawyers

Two thirds of today's solicitors are said to be under 35 years of age, a significant pointer in itself. "A lot of criminal work is troubles related and on the civil side a large amount is related to compensation for personal injuries and property damage arising from the cur-rent situation," says Mr Davey. "But I think it fair to say that

POPULAR Ulster mythology, local lawyers, along with demolition contrac-tors, builders, glaziers and sun-

dry other professionals are widely believed to be reaping rich profits from the continu-

ing conflict.
In reality, at least as far as

lawyers are concerned, the sug-

ern Ireland

most solicitors would like their practices to expand." Accusations are sometimes made that "The Troubles" are good for business and in the short term there may be some-thing in it for some, he adds. "But in the long term an expanding economy and over-

in general this is not the way

all growth in prosperity would obviously be preferable. Mr Davey's views are echoed by other legal professionals, who point out that continuing political instability down the years has been a big factor in hampering inward investment and the growth of the lucrative commercial work which local solicitors might have expected.

Certainly, in explaining the expansion of the profession in Ulster, factors other than the endemic violence are also relevant, one of the most vital being the introduction in the 1960s of a comprehensive legal aid system in Northern Ireland, which opened the way for increased litigation.

Currently most terrorist trails are legally sided. One of the major "supergrass" trials of the early 1980s, involving 38 defendants, ran for 121 days. The case, which ended in the release of most of the defendants on appeal, cost the tax-payer £1.25m

While that case was exceptional, Northern Ireland's legal hill has increased yearly, merthe Lord Chancellor, Lord MacKay. During a brief visit to Belfast last year, he noted that in terrorist cases, was shot dead in front of his wife and children.

The loyalist group which admitted responsibility claimed that he was an IRA sympathiser. Despite the previous murders of judges and magistrates, the killing of a solicitor came as a shock to the Both the Bar and the Law

Society united in denouncing the murder. As Mr Davey of the Law Society points out:
There was widespread shock throughout the profession. In a civilised society people are entitled to be defended by criminal lawyers but that doesn't mean of course that the lawyer condones the crime."

Mr Paddy McGrory, probably are now prepared to look else-where for employment. Accord-Northern Ireland's most experienced criminal defence solicitor, agrees. After representing relatives of the IRA trio killed ing to Mr Fergus McCartan, a Belfast solicitor who opened Northern Ireland's only legal in Gibraltar, he was threatened by the same loyalist organisaservices agency four years ago, tion which killed Mr Finucane. Without rancour, he points out while most placements are local, increasing numbers of that in the past he has repre-sented both loyalists and in making a career in Britain republican para-military mem-

Currently, there is also a bers in trials. in fact, regardless of their individual political leanings, Ulster solicitors and barristers sharpened awareness that law-yers are no more immune from the direct effects of local vioinvolved in criminal work lence than any other profesregard it as a point of honour and a matter of professional sion. To date, five members of the judiciary have been killed by terrorists, while unsuccessethics to appear for anyone ful attempts have been made to who asks for representation, in spite of the fact that, in doing In February this year, Mr

so, they may place their personal safety in Jeopardy.
Yet, in spite of the very real problems confronting both Patrick Finucane, a Belfast solicitor who had frequently appeared as a defence lawyer

branches of the legal profes-sion in Northern Ireland, both the Bar and the Law Society remain optimistic about the

"Although financial opportunities for lawyers may seem to be better on average elsewhere," says Mr Davey, "it cer-tainly is still possible to be succeesful here. At the top in Northern Ireland the quality of advocacy is second to none, as some visiting lawyers have found to their cost."

In spite of the increase in the number of practitioners over the past 20 years, the traditional structure of the average legal practice has changed lit-tle. Most solicitors firms remain relatively small, with a broad-based work range. Similarly, there is no highly developed London-style specialisa-

tion at the Bar.
As recent responses to the Lord Chancellor's proposals for reform make clear, this situation is unlikely to change. While aware of the need to face increased commercialism, both branches of the profession do not favour radical overhauls, or the invasion of the legal arena by what they view as "market-value" philosophy.

Certainly, there is little dissent from the cautionary words of Northern Ireland's Lord Chief Justice, Sir Brian Hutton, who earlier this year reminded the Lord Chancellor that his proposals must always be "subordinate to the doing of justice itself."



Boon for business: the troubles have been a factor in the expansion of the legal profession

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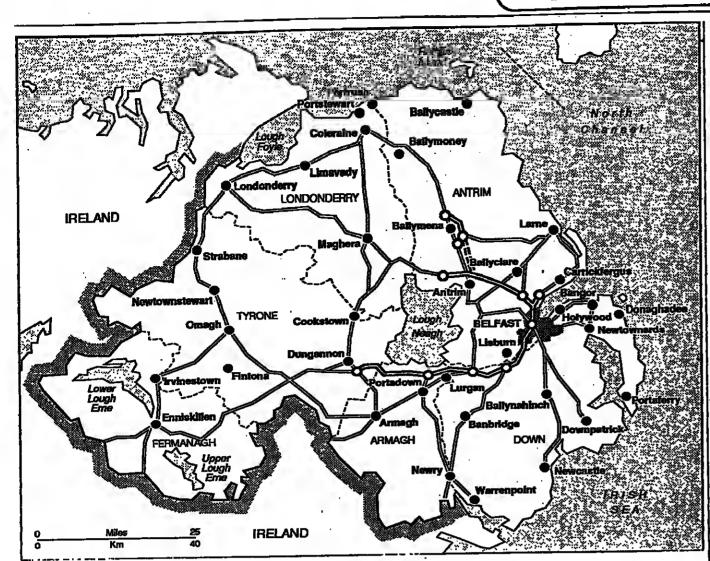
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#### NORTHERN IRELAND 8



#### **TOURISM**

# Troubles fail to staunch a continuing flow of visitors

ABOUT 150,000 tourists will Not bad for a country synon-take a boliday in Northern ymous with civil unrest and Ireland next year and spend terrorism rather than pleasant about £100m supporting one of tourist attractions and breaththe fastest growing sectors of taking natural scenery.

terrorism rather than pleasant

A target has been set - an Yet in spite of dramatic increase of 70 per cent in the total number of tourists over the next five years to 1.6m by 1994. This is an ambitious plan by any country's standards but particularly for a region which has the weakest tourism sector in the UK.

In 1987 only 1.57 per cent of gross domestic product in Northern Ireland was generated by tourism compared with 4.23 per cent in Great Britain and 5.03 per cent in the Republic of Ireland.

In terms of employment, it has been estimated that only 0.9 per cent of civil employ, ment in the province is related

cent in Great Britain and 6.2 per cent in the Republic. While outstanding natural scenery, top class recreational and leisure facilities and lashings of good old-fashioned Ulster hospitality are powerful selling agents, the new target set by a Government tourism review group will require e significant effort from everyone

connected with the industry. Yet more visitors than ever are coming to Northern Ireland to "see for themselves", a trend local tourism leaders are happy

local tourism leaders are happy to encourage.

"Getting visitors to the province is half the battle. They have read and heard so much about the problems that tourism hardly rates a mention. But just one day rambling in the Mountain of Mourne or hiking in the Glens of Antrim can wipe away years of treincan wipe away years of prejn-dice. They just keep coming back for more," said one hote-

This theme is reflected in the Department of Economic Development's report "Tourism in Northern Ireland — A view to the Future" which was

prepared by the review group and which charts the way ahead for the industry.

It states: "Those who have reason to visit know the reality but, for those who have never here they the issue of violence been here, the issue of violence must be addressed to overcome their reflective recoil from even considering Northern Ireland as a holiday destina-

itors and revenue, the industry is about to experience the most To achieve the sort of targets which the Government has set, the entire industry is gearing radical changes in more than up for change. The most funda-mental will be the abolition of the Northern Iraland Tourist Board and its incorporation into a new body to be known as the Northern Ireland Devel-opment Organisation.

This new body, responsible in the words of Mr Peter Viggers, the province's Industry Minister, for a "renewed drive to develop the tourism poten-tial of Northern Ireland", will have responsibility for both marketing and product devel-

opment.
It will bring together the present promotional role of the NITB and the grant aiding functions of the Department of Economic Development's tour-

In common with other sec tors the name of the game will be on providing value for money. The new strategy will see the replacement of the present grant schemes for the development of accommodaers with a single scheme of selective financial assistance using criteria similar to those applying to manufacturing industry. Such serious surgery has

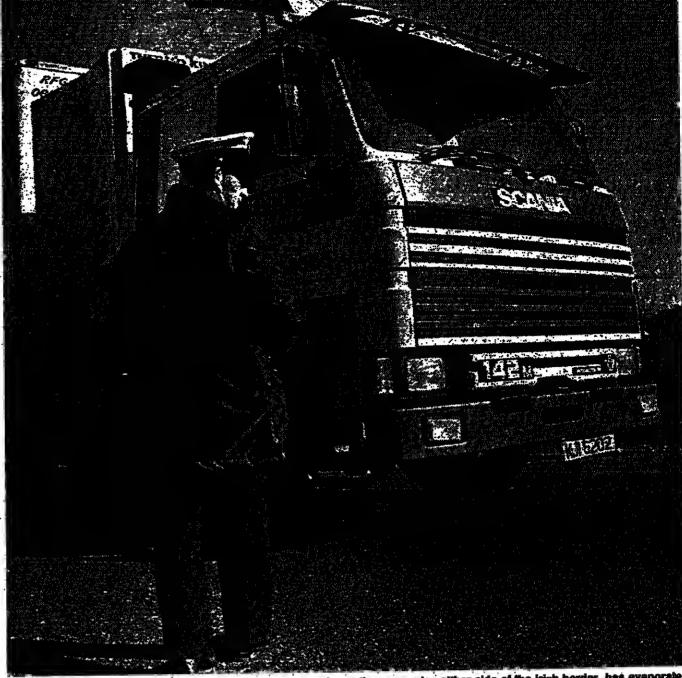
overshedowed another excel-lent year for the tourism industry in 1988. Following a series of terrorist outrages, which attracted international atten-tion, officials feared a 7 per cent fall but in the event 930,000 came to Northern Ireland, just 1 per cent down on 1967, which was the best year since 1970.

And in the category which

provides most room for growth people who visit Ulster for a holiday as opposed to visiting friends or relatives or coming on business — there was a 7 per cent increase. A total of 125,000 came purely to enjoy a boliday and of those more came from Great Britain.

The numbers crossing the Irish Sea jumped by 29 per cent to 21,500 and in Scotland, where the tourist board was perticularly active, increase was 31 per cent.

Holidaymakers from the Republic rose by 1.5 per cent to 61,000, There was a 10 per cent se to 15,000 in the num-



Border patrol: any opportunity that there might have been to boost the economies either side of the Irish border, has evaporated. The Republic is seen as a trade competitor; the new Morthern Ireland ministers see the border only in terms of security

ber of visitors from Europe and the number of tourists for North America rose by 5 per cent to 19,000.

Overall the increase from Europe, including visits to friends and business trips, was 19 per cent and from Australia 10 per cent, but there was an 8 per cent fall in the total num-

ber of visitors from North America.

In Europe a new direct Air. Force service late last year increased the number of French visitors by 253 per cent

The Government believes that the task of attracting more pure holidaymakers offers the best prospect for growth. To this end the new tourism strategy has identified priority markets, particularly Great Britain and the Republic, the worth market and nicha or the youth market and niche or

special interest markets. will be identified as centres of international excellence in

areas such water sports, heritage and culture and local cui-

The new strategy is being interpreted as a blueprint for tourism development in the province into the next century.

Jim Flanegan

(S. 4.5 S.C. .A. Riamine to the fire

Table abou

3 : 22 section

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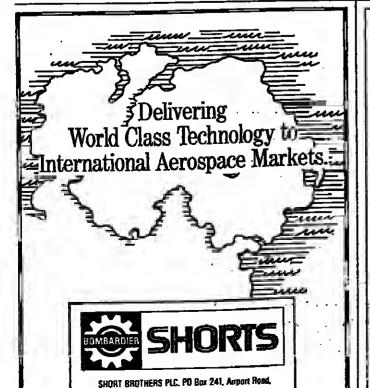
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and the second second

# **FINANCIAL TIMES** COMPANIES & MARKETS



INSIDE

**BAe and Thomson in** missile merger plan

British Aerospace and Thomson-CSF, western Europe's largest suppliers of military equipment, plan to announce today their intention to merge their top-security missile businesses into a joint company with annual sales of £1.4bn. If approved, it would be the only fully integrated missile concern in Europe capable of making both electronic guidance systems and finished weapons. Today will also see the first working group meeting between the two companies and Ferranti International Signal in preparation for e possible BAe-Thomson bid for Fernanti: Page 25

Outsiders covet Insider's role



arge US companies are the envy of the Japanese. For, while the likes of IBM and Ford have acquired the freedom to range widely across Europe, similar expansion by their Japanese counterparts is generally seen as part of a menacing invasion by "Japan inc". In the Busi-ness Column, Guy de Jonquières examines what Japanese companies have to do to counter this Image and win acceptance as international "insiders". Page 38

S. STORE

Strong forces in the gifts sector Gilt-edged optimists delight in every-rise in

base rates because these increase the chances of a recession, while the pessimists see the rises in short rates as inevitably put-ting upward prassure on long yields. The glits market is thus in a strong two-way pull, writes Mike Payne of Legal and General Investments; convincing arguments can be made either for long yields to fall to 8 per cent in 12 months or to rise to 12 per cent. Page 23

Plenty to smile about



Siebe chief executive Barrie Stephens has good reason to emile at the mention of the Index. For Siebe has grown into one of the world's largest manufacturers of controle equipment with sales

going a long way towards vindicating a strategy which until recently made it one of the City's least popular etocks. Page 25

**Market Statistics** 

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Monday October 16 1989

Friday's Wall Street collapse was the sharpest since Black Monday. FT writers put it into its global context

# Spark sets light to smouldering market

LAST FRIDAY aftarnoon's collapse of US stock markets occurred with unimaginable speed. Between 3 pm and the market's official close an hour later, the Dow Jones Industrial
Average lost 120 points. In the
time it takes a person to ride the
subway from mid-town to Wall
Street, the US industrial economy
lest nearly a 20th of its market lost nearly a 20th of its market

The collapse was triggered by a eingle event. This was the amnouncement, which came clatannouncement, which came clat-tering over stockbrokers' tickers at just before 8 pm, that a group trying to raise money for a take-over of United Airlines had been rebuffed by the world banking industry. After weeks of evapor-ating confidence in the high interest or "junk" bond market, the message could not have been clearer: at present there is no more finance for highly specula-tive takeovers.

"As summer has turned to

'As summer has turned to antumn, the market for the junk bonds used over the past five years to finance takeovers has dried up. Wall Street's specula-tors were forced to fall back on the only remaining pool of take-over capital, which was in the banking system. The United announcement told the specula-tors that the banks were not

playing.
It was like a shot fired into a It was like a shot fired into a crowd. The market was suddenly a desperately perilous place. Some takeover stocks, most notably UAL, United's parent, were now 15 per cent, 20 per cent overvalued. According to Jefferies & Company, the West Coast stockbroker which made a market in UAL in London late on Friday, there were buyers around for the there were buyers around for the stock at \$230, down from \$2794 when it was suspended in New York. As Mr Jim Grant, a profes-sional Wall Street commentator who is consulted (like Cassandra at Troy) in times of great trouble, wrote presciently last week.
"Asset values are hostage to the availability of new credit. Let credit contract, or even stop, and the process of de-leveraging

begins."
Friday's collapse was the latest step in intermittent efforts by the market to de-leverage or cool the speculative fever in the US industrial economy. There was the arrest of the takeover speculator Ivan Boesky in 1986, the neutralisation and then indictment of Michael Milken, who created the junk-bond takeover market; and the stock-market crash of October 19 1987. These events unset-tled the stock market and handed speculators large losses. But the takeover fever persisted, culminating in the \$25bn buy-out of RJR Nabisco, the tobacco and food

group, last autumn. But this year things started going seriously wrong in the junk bond market. The most severe blow came last month,

when Campeau, a stores and real estate group assembled in just three years through the issue of \$10bn in loans and funk bonds admitted it could not make interest payments on its new bonds. Other recent issuers, including Resorts International, e casino group, and integrated Resources, a financial services company, defaulted. Mutual funds and other junk bond investors were demoralised, forcing Ohio Mat-tress and the Ramada hotels group to drop plans to raise junk finance for buy-outs or restruct-

More sinister, the bonds of the strongest funk bond issuer, RJR Nabisco, were quietly and steadily falling in value. Because the junk bond market lacks transparency, it is hard to get exact prices: according to one quote, an RJR subordinated exchangeable debenture was the beginning of this month, but had fallen to 82% by Thursday evening. As RJR is the only junk company which is truly "liquid" or easy to trade in, it looks like investors were pulling out of the market in the quickest way they

Undeterred, the stock market continued to climb. The Dow Jones Industrial Average, which measures the performance of 30 large-capitalisation stocks, closed at an all-time record of 2,791.41 on October 9. Professional takeover specula-

tors, known on Wall Street as risk arbitrageurs, gained new confidence after UAL's board agreed to sell the airline to a group of managers, with the pilots union and British Airways. The key to the deal was that the hidding group was not even going to attempt to raise money in the devastated junk bond mar-

tan, the New York banks acting for the bidding group, said they would lend \$3bn for the deal themselves and were sure they could find other banks to put up another \$4.2bn. This was a fatal misjudgment by North America's two largest banks.

Already in September there were straws in the wind. Citicorp itself ran into opposition from the Federal Reserve when it tried to push through a \$1.5bn lever-aged buy-out of the Del Monte processed food business, using mostly its own money. The deal was rearranged at the Fed's insis-

Bnt Quintex, a little-known Australian media group which was trying to raise \$1.5hn to take over the MGM/UA film studio, appeared on Tuesday to have failed evan to raise a \$50m deposit on the deal. For the United transaction, the deadline

on Thursday evening Citicorp and Chase did not have the bank commitments they needed. In its Friday issue, the Amerithat the Japanese commercial

banks, which bestride the world banking industry because of their vast capital, were simply not taking their usual shares in the financing. In particular, Dai-Ichi Kangyo, the world's largest bank, was said to have committed to lend just \$100m to the deal.

Obviously, the deal was riskier for the banks without junk bonds. Without e fat layer of subordinated debt, there is nothing to cushion the banks from loss but the owners' equity, which in the United case is very small. But Wall Street on Friday morning was alive with other rumours. The Japanese banks were said to be alarmed by the fact that the important machinists' union at

One rumour even had the Japa-nese enthorities ordering the banks not to take part. The mood on Wall Street on

Friday morning was not helped by bearish remarks on the whole subject of junk bonds by Mr Rob-ert Steinberg, the head of risk arbitrage at Bear Stearns, a firm beavily involved in takeover stock trading. But by 11.30 am, the Dow was down just 5.74 points. An arbitrageur interviewed soon afterwards was not too alarmed. "The Japanese are worried about the machinists, which is a non-issue," he said burriedly. "Citibank is being too greedy with its fees. Can't BA put some pressure on the banks over

in Europe?"

By early afternoon, the rumours were growing in strength and conviction. The bow was down 23.57 at 2.30 pm.
Twenty minutes later, Airline
Acquisition, as the bidding group
is known, announced that the
two banks had not been able to
syndicate the loans. At 3 pm, the Dow was down 69.88 and tum-bling beadlong, as arbitrageurs were desperately selling out of the takeover stocks. These sales triggered computerised sell pro-grammes by passive investors in the futures market. In minutes, exchange officials in New York and et the futures markets in Chicago were facing the worst crisis since the crash of October 19 1987. It was time to see whether the trading mechanisms introduced since then would

At about 3 pm, the futures contract on the Standard & Poor's index of 500 stocks hit the limit of 12 points down, which was established last year as a so-called "circuit-break.er". Trading in the contract was suspended for a half-hour breathing space. A few winutes later, computerised trade; were segre-gated from the rest of the market and put into a separate file known as the "sidecar". Officials of the main cash exchanges in New York conferred with Chicago market executives and the Securities and Exchange Commission in Washington and trad-ing in the futures contract was re-started at about 3.30 pm. But within 15 minutes, the contract had hit another trigger-point, down 30 points, where under the post-crash rules it is suspended altogether.

These mechainisms will be the subject of great debate and inquiry over the next few weeks.
Officials in Chicago were already claiming at the weekend that the halt in futures trading shows that the collapse was not due to computerised programme trad-ing. What would have happened without the circuit breakers in anybody's guess.

**James Buchan** 

#### ket. Citicorp and Chase Manhatfor the financing came and went Same threat, changed conditions

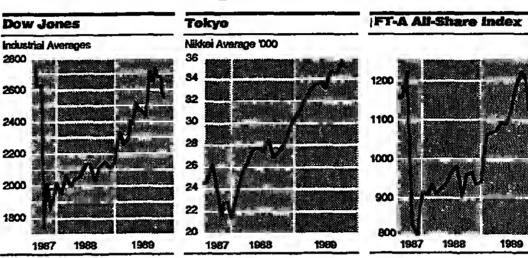
STRONG rises in share prices around the world this year have around the worth this year have taken all the main stock markets up to or beyond where they stood before the crash two years ago. Profits and dividends have risen sharply in the intervening period. So, with the important exception of Japan, price earn-ings multiples and dividend yields are significantly below yields are significantly below their previous peaks.

An analysis published last week in the Amex Bank Review showed that the everage p/e ratio in the US had fallen from 22.3 in October 1987 to 13.7 ear-Her this month. Average p/e's in the UK were down from 18.8 to 12.9, while West Germany had seen a decline from 16.2 to 13.2. The implication is that share

mices in these markets are much less overvalued today than they were immediately before the 1987 crash. However, the present ratings are not low by the stan-dards of the previous decade.

The Japanese market was very little affected by the crash, and has remained on a firm trend for most of the last two years. According to Amex, the average n/e is still over 60, which is only marginally down on the level two years ago. Comparisons with tries can be misleading for accounting and other reasons. Still, average p/e's in Japan were well below 30 for most of the decade before 1885.

In 1987 US bond prices had been weak in the period leading up to the crash, taking yields at the long end up from just over 8 per cent to about 10 per cent within the epace of a few months. But prices have been months. But prices have been strong through most of his sum-



mer, and the yield had fallen by a full point since the end of March to about 8 per cent before last Friday's gyrations.

The picture does not look so healthy in the UK, where concern about the outlook for sterling and inflation has taken yields at the long end up to nearly 10 per cent, only a little below their level two years ago. Monetary conditions are tighter in the UK than they were

in 1987, to judge by Amex figures showing a rise from 5.5 to 7.7 per cent in real money market rates. In the other important centres, real rates are very much in line with where they stood before the crash.

US share prices stood at their all-time high a week ago today, when the Dow Jones Industrials closed at 2,791.41. That was 80 beginning of the year, and compared with a pre-crash high of 2,722.4 on August 25 1987.

These strong gains on Wall Street have had a powerful impact on other markets. For the first nine months of the year, London kept up with Wall Street, but prices have weakened recently and the FT-Actuaries All-Share Index narrowly failed to break through the high point set in August 1987. The index closed on Friday just over a fifth above its level at the start of the

The tone in the Japanese market is nowhere near as confident as it was in the months prior to Black Monday two years ago. In the first quarter of this year, the Nikkei average rose 8 per cent to 32,838, then made no progress in the second quarter before climbing another 8 per cent in the

third quarter, almost all of which was gained in a sudden spurt in July. Volume has also been weaker

1988

1989

as the year progressed. Meanwhile, the outlook for the Japanese economy looks good for the foreseeable future. Most analysts are projecting GNP growth in excess of 4 per cent this year and continued high growth in Important investors remain

soldily behind the market. In the first nine months of this year, insurance companies, banks and other financial institutions which form the largest single group of investors in the market, poured in slightly more than the net Y4,712bn in the whole of last

Richard Lambert and Ian Rodger

A CONTRACTOR OF THE CONTRACTOR

# Japanese banks lose their passion for LBOs permeates UK

takeover of UAL. It will take time to be revived.

The cool response of Japa-nese banks to the UAL deal came after weeks of increasing concern about Japan's commitment to the high-flying LBO market, where Japanese banks have provided about 30-40 per cent of the total funds. Even as Japanese banks were lending funds to one LBO

water another, expanding their corporate finance teams to cope with the workload and building links with American investment banks, they were simultaneously becoming more and more cautious about what they were doing. Mr Yoh Kurosawa, chairman

of tha Industrial Bank of Japan, said yesterday: "We have taken the view that we had a little bit too much of this kind of debt. Just look at the junk bond market. It's terri-Unease about LBOs was

compounded by a growing sense that trading conditions around the world, particularly in Europe and North America, where worsening with interest rates rising and economic

growth slowing.
The Japanese authorities voiced concern about the rush into LBOs on several occasions, most loudly when Japa-nese banks provided about half the bank finance for the \$25bn takeover of RJR Nabisco, the diversified tobacco giant, at the

beginning of this year. But their level of concern was considerably more muted than, for example, their insistent demands for cuts in lending to the over-heated Japanese real estate market. In the case of the UAL deal. Mr Tadashi Okada, a Bank of

JAPANESE BANKS' passion
for leveraged buy-outs was fading even before the apparent collapse of the planned \$7.2bn

Japan director, has denied categorically that the authorities gave instructions to commercial banks to pull out. Each bank made its own decision, he said in a Japanese newspaper

> Such a denial is not surprising given that the drastic impact the failure of the UAL deal in the financial markets. The Bank of Japan would hardly admit to having precipi-tated a 190-point plunge in the Dow Jones Index. Moreover, Japanese banks were not unanimous in turning

> down the UAL deal. Three banks - Mitsubishi Bank, Sanwa Bank and Long Term Credit Bank – at least said no. Several others, including the Industrial Bank of Japan, offered a token amount, esti-mated at \$100m. However, Mitsubishi Trust and Banking, the largest trust bank, was willing to put up a sizeable \$300m. The deal itself was in reality less attractive than some of its predecessors. While the involvement of British Air-ways, which wants to take a stake in United Airlines, spoke for the the proposed takeover, this was offset by donbts voiced by the US Administration about foreign ownership of US airlines. Japanese bankers were also concerned about the power of United's trade unions, which were also to have a say in the new management, and about the general unpredictability of airline profits. "We consider any airline

investment an adventure," Mr Kurosawa of IBJ said. The first doubts about financing LBOs were expressed at the end of last year when Japanese banks prepared to put up half the bank finance needed for the record-breaking LBO of RJR Nabisco. The Bank of Japan and the Ministry of Finance then stepped up their

monitoring of Japanese involvement of LBOs. But Japanese money contin-ued to pour into LBOs. Japa-

nese companies, which had started linking up with US mergers and acquisitions spe-cialists in 1985, continued to seek out partners as the LBO market expanded. In March market expanded. In March this year, Fuji Bank formed a joint venture with James D Wolfensohn, a company with Mr Paul Volcker, a former chairman of the US Federal Reserve Board, among its directors. In the summer, Yasuda Trust & Banking, a trust bank, forged links with M&A Strategy, a Chicago-based M&A Strategy, a Chicago-based house. Finally, at the start of this month, Dai Ichi Kangyo Bank, Japan'e largest bank, tied up with Clayton & Dubi-lier, a leading buy-out special-ist, to establish a \$1bn-plus

LBO fund. The attraction of LBOs was the same as for banks else-where - the promise of high returns. But in addition for Japanese banks, LBOs have provided a valuable entrée into US corporate finance. These attractions remain.

One Japanese banker said yesterday that his bank would continue to take a steady caseby-case approach to LBOs. "It's a gross misunderstanding to say we have been extremely free with our money and are now changing our minds." But he was in a minority. Others took the view that

there were good reasons why the UAL takeover had apparently failed - reasons which went well beyond the merits of the deal itself. Mr Isao Matsnnra, general manager of Sanwa Bank, said: "This was not a sudden decision. It's a new trend to be more cau-

Stefan Wagstyl smith's Hoylake consortium.

# Air of caution

THE LATEST threat to the UK BAT is seeking shareholder equity market comes at time when the flow of large outstanding corporate deals is at a relatively low ebb — perhaps indicative of the air of caution which has been around for some months.

The ebility to underwrite paper-financed transactions has been sharply curtailed ever since the 1987 stockmarket collapse. Yesterday, however, a number of merchant bankers were also making the point that bank lenders have been increasingly wary of leveraged deals recently.

"Certainly, one's noticed this over the past six months especially for those deals dependent on capital values from subsequent disposals, rather than pure cash flow," said one senior corporate finance executive.

There seems little doubt that there are some deals which would be put on ice if London sustained basis. However, as Derek Higgs at S. G. Warburg pointed out, a greater propor-tion of bids in the UK have been "industry-driven, rather than debt-driven", compared with the US. With European restructuring, for example, generating a number of trans-actions, the impact on the deal flow may be softened, he suggested.

And, ever-resilient, merchant bankers are quick to point out opportunities which a sharp correction in equity values might provide. I think the kind of companies doing deals might change," said Mr Gerry Grimstone at Schroders. "If equity values fall, it could

tempt people in."
The largest outstanding situation is that of BAT Industries,

the tobacco-based conglomer-

ate which has been under threat from Sir James Gold-

approval for its own proposed restructuring this week, while Hoylake, whose bid has for-mally lapsed, is pursuing clear-suces from the US insurance commissioners with a view to rebidding shortly afterwards. Yesterday, BAT said that it expected Thursday's extraordinary general meeting to go ahead, but added that there might be some slippage in the subsequent timetable for the envisaged disposals if a severe bear market develops. It had previously suggesting that dis-posals, together with the two

posals, together with the two demergers, might take place in the first quarter of 1990. How Hoylake — whose earlier £13.5bn offer envisaged the use of \$4bn-worth of "junk bonds" — may react was less clear yesterday, although one adviser close to the deal said he would be surprised if the consortium did not pursue the consortium did not pursue the US clearances.

The other two major hostile situations are DRG, defending against a £700m leveraged bid from Mr Roland Franklin's Pembridge, and Pearl Assur-ance, facing a £1.1bn offer from Australian Mutual Provident. Both bidders confirmed yesterday that they would not seek to abort the deals — even if, as seems unlikely, this was possi-ble. That could pose problems for the defending camps: DRG shares closed at 601p on Friday, against an offer price of 590p, while Pearl stands at 640p, against the bid value of

At Hay Group, the most sig-nificant flotation in progress, the mood was philosophical. The company says there is no intention of pulling the £393m issue. The pricing was set last week at 105p a share, well below initial estimates, and the shares are fully underwritten.

Nikki Tait

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#### INTERNATIONAL CAPITAL MARKETS

**EUROCREDITS** 

# Pearl bid financing leads a lively week

DESPITE THE protests from most banks that there seemed to be little going on on the international credits market, there was something of a flood of news last week - and none of it involved the UK water

Patchy details emerged of the terms on the facilities organised by Lloyds Bank and Chase Manhattan to help finance Australian Mutual Provident's takeover hid for Pearl Assurance. None of the facilities are in syndication, but they will be launched if the

The three-year £525m term loan is said to carry a margin of 25 basis points over Libor, with an 8 basis point commitment fee for undrawn amounts. Front-end fees are

not disclosed. Two short-term facilities will not be syndicated. It is understood that Lloyds has arranged a one-year £132.5m revolving credit paying 25 basis points over Libor, with the lack of a commitment fee suggesting it will be fully drawn. Meanwhile Chase has arranged a one-year term loan for the same amount with an ½ point margin and a 5 basis point commitment fee. Syndicate officials said they thought the terms looked

aggressive given the implied exposure to Australia and the unfashionable insurance sec-The £100m five-year multiple option facility in syndication via Midland Montagu for Glynwed, the UK engineering

group, carries a margin of 12%

basis points over Libor and underwriting fees of 7 basis

EUROMARKET TURNOVER (\$m)

points. There is a utilisation fee of 2½ basis points of a standby facility is more than

50-per-cent undrawn.
Both the Asda and the Maxwell financings were closed last week, with Swiss Bank Corporation, the arranger, declaring them over-sub-

The Asda £250m three-tranche facility was over-com-mitted, and the company decided to increase the deal to £320m. Some 23 banks are in the deal, but SBC would not confirm that it was participating itself only in the one-year

That tranche was increased to £110m, while the two-year tranche is £78m and the threeyear tranche £132m.

The Maxwell \$3bn facility closed successfully. According to SBC it was comfortably subscribed, and signing will be on 23 October. Other banks felt the comfort factor was somewhat small, and there was talk that some underwriters had been given larger commit-

than they had wanted. Citicorp Investment Bank announced the signing of a \$183m senior acquisition facil-ity for RP Scherer, the US-based manufacturer of gelatin

capsules.

The funds are part of capital structure to allow Shearson Lehman Hutton to buy the company via a management buy-in.

A group of six banks participated in five separate facilities placed with local subsidiaries of the borrower. Up-front fees were 40 basis points, but other terms were not disclosed. The structure was held together by a subsidiary cross-guarantee and loss sharing agreement.

Among new deals, Manufacturers Hanover is thought to be busy underwriting a \$750m refinancing for Saga Petro-leum. At least two other banks

were bidding for the mandate. The facility, which has not yet been launched into syndication, will be an eight-year term-loan. The margin is thought to be % or % point over Libor, rising to %.
Midland Montagu is the arranger of a £40m five-year revolving credit for Prowting, the UK bullding group. No terms were available.

Andrew Freeman

INTERNATIONAL BONDS

# Plunging Dow completes futures exchanges' misery

WHEN THE Dow Jones index plummeted 190 points in late trading on Friday, the misery of the US futures exchanges was probably complete. For, barely concealed by the cus-tomary ebullience of the world's largest derivatives

markets, unease lurks.

Over the last year, the US exchanges have been under seige from most angles. And the arrival in Chicago last week of a consignment of distinctly chirpy overseas exchanges at the Futures Industry Association (FIA) annual expo contributed little to their good humour.

Now Friday's events threaten to reopen the vexed question of the destablising effects of certain kinds of stock index futures trading.
As Senate hearings are held tomogrow in Washington, call-ing for the industry to defend itself once more before an

increasingly hostile Congress, exchange officials could be par-

go wrong next. The year began with the revelation of undercover investigations into alleged trading fraud in the pits. The fall-out from the indict-

doned for wondering what can

ments had already fired congressional determination to press for sweeping legislative change. Then the emergency action taken by the Chicago Board of Trade in the soya bean pit in July, which caused uproar among farmers, did not help the industry's case. The winners in this bitter struggle will be the advocates of automation and screen trading: on the whole, the regulators have seized on the computer as the cleanest alternative to the rag-

gle-taggle of the physical pit. In an unlikely alliance, the exchanges themselves recognise this inevitability. They are also motivated by the spectre of foreign competition where rival marketplaces are trying to elbow each other out with

technology. And it is clear that the US exchanges face a rough ride in this department too. Mr David Ganis, president of the FIA, startled his audience in Chicago last week with the bald statement that he saw "no customer demand whatsoever for automated trading." None of the other members of a

panel of futures commission

merchants (FCMs) dissented. No less problematic is the reluctance of the independent traders or locals on the floor of the Chicago Mercantile Exchange (CME) to go along with Globex, the after-hours system developed jointly with Reuters that will begin full testing in December My Bus testing in December. Mr Jim Gary of Saul Stone noted that, of the 300 or 400 locals his firm cleared for, only two had asked about Glober, and one of those had been put off when he heard he had to sign a year's

The design of Globex as an order matching system left lit-

problem is theoretically accommodated in the fee structure of the system, which is designed to route significant portions of the profits back to that section

of the community.
But the CME's dilemma is that most observers believe the fees will have to be reduced dramatically if the system is to

Another criticism the FCMs harbour is that Globex is a "take it or leave it" system, modelled closely on the new foreign exchange Dealing 2000 and with little room to accommodate the FCMs wishes. For that they prefer Aurora, the CBT's alternative, which is being developed with extensive

member consultations.

Aurora's problem, meanwhile, is cost. While the membership approved a \$25m war chest for its development, observers say that was as much to strengthen the CBT's hand when it began negotia-

the room for the local. That tions with the CME about a possible merger of the two systems. The CBT's attempts to increase exchange fees - to provide funds for "future developments" - met such a barrage of criticism that the idea was temporarily shelved. Aurora also compares unfa-

vourably in cost terms with

Liffe's new system. The amouncement this year that the CBT would be putting its vast financial muscle behind a system that looked very similar that looked very similar that looked very similar than a life bad market lar to the one Liffe had worked on for two years, gave the London exchange an unpleasant turn. Yet Automated Pit Trading, which Liffe officials have called the most advanced electronic trading system devised, cost just \$2.5m, and goes live at the end of next month.

Meanwhile the FCMs are "disappointed" at the silence from the main two exchanges as to how the merger talks partly prompted by the brok-ing houses themselves - are

progressing. And Matif, the French futures exchange which is still party to the Giobex discussions, is making unhappy noises about how it might be affected.

This gloomy picture does not

suggest that the leap into automation will be into an abyss. Rather, it highlights the pecu-liar difficulties of the US exchanges. This year they have been absorbed in a fight with their regulators as new exchanges in Europe have been spirited along by enthusiastic Governments. In the technology revolution they face the entrenched interests of a 150-year tradition — problems unknown to the green field exchanges outside the US. But few now dispute that the open outcry method of trading is uitimately doomed. In the meantime managing the change is distinctly uncomfort-

**Katharine Campbell** 

						NEW INTI	ERNATIO	NAL BOND ISSU	ES						
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October, 1989



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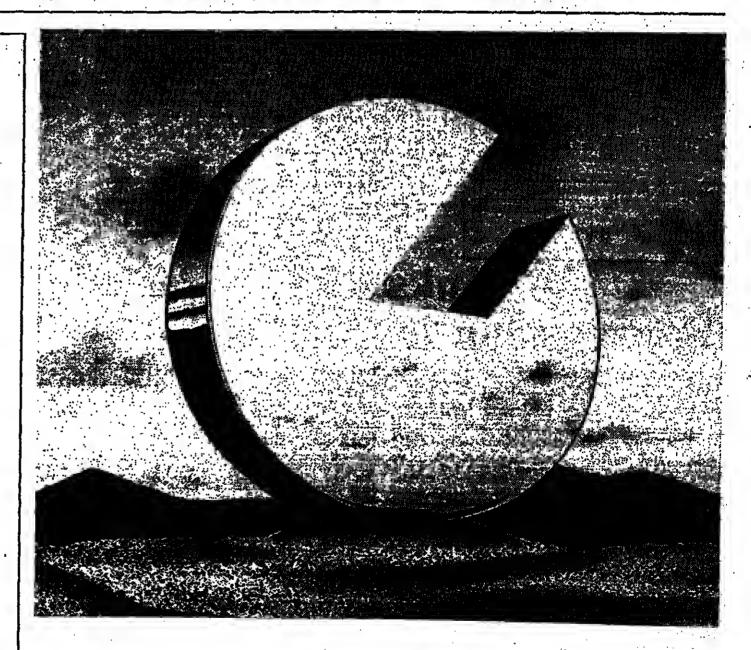
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#### INTERNATIONAL CAPITAL MARKETS

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Cample'

# Half measures for bears and bulls

AN OPTIMIST looking at half a glass of beer claims it is half inll; a pessimist claims it is uncertainty.

British inflation rates and, dare I say, increasing political uncertainty.

half empty. In a similar way, gilt-edged optimists delight in every rise n base rate because these increase the chances of a recession. The pessimists see the rises in short rates as inevitably putting upward pressure on long yields. The gifts mar-ket is thus in a strong two-way pull. Convincing arguments can be made either for long yields to fall to 8 per cent in 12 months or to rise to 12 per

Last week - at least until Friday's events in New York the bears won rather more of the arguments. Despite the lat-est rise in base rates, sterling remained under pressure. The intervention required so far this month to prop it up must have cost the UK's overseas reserves dearly. Admittedly Britain is getting support from other central banks seeking to cap the dollar but, as Japan demonstrated on Wednesday, intervention in the currency markets has a short-lived impact without the backing of

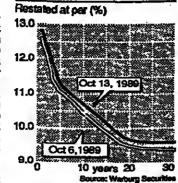
higher interest rates. The pressure on sterling was inevitable. The recent co-ordinated European interest rate rises gave the pound no advantage. It needs extra protection because of the UK trade deficit,-

US DOLLAR

Mr Nigel Lawson, the Chancellor of the Exchequer, must not (and, if one believes his conference speech, will not) allow the pound to fall much further. The consequences for inflation would be unthinkable. The only argument for a sterling devaluation would be to offer some compensation to exporters for the high interest rates. This has some logic to it. What the UK economy needs is high rates for the consumer, not for British industry.

Unfortunately, with most mortgage rates continuing to stand below base rates, the reverse is happening. If the commendable growth in exports tails off without a fall in imports, the trade deficit could get even worse. If the Chancellor is forced

into policies other than combating inflation through the use of high interest rates, the country could see the end to gilt buy-backs and even some new stock issued at the long end as part of an over-funding policy. However, if the Government is not going to spend the money, the cash raised may find its way back into the money markets. The net effect would simply be a flatter yield curve with much higher long dated yields..... **UK** gilts ylelds Restated at per (%)



The immediate political concern is that the Tories believe that they need to spend money to buy votes. They demonstrated such a policy last week with the changes in the poll tax. Other manifestations would be higher infrastructure spending, higher public sector wage settlements and further income tax cuts. These would all lead to a less negative PSBR. Coupled with an economic slowdown, it is conceivable that PSDR could return to

being a PSBR in 199L Although the pessimists appear to have more arguments on their side, the optimists have potentially the strongest qualitative case, namely a UK recession and/or

FT/AIBD INTERNATIONAL BOND SERVICE

full membership of the Ruropean Monetary System. These two events could lead to a structural shift in gilt yields, both at the short and at the long end.
The signs of a slowdown in

the UK economy were visible in the third quarter. These weakening trends will be exacerbated by the rise in base rates to 15 per cent. As night follows day, both price and wage inflation should fall in the next 12 months.

If investors felt that 5 per cent price inflation could become the Government's maximum limit rather than an acceptable minimum, then longer gilt yields can fall back nearer to 9 per cent. Such a policy is possible in the next parliament, particularly if cou-pled with full EMS member-

ship.

However, the UK needs to reduce its inflation rate (and therefore interest rates) by its own efforts before enlisting the help of European monetarists. This may cause a good deal of pain over the next 12 months
- but at least gilt-edged investors will have something to

Mike Payne

Mike Payne is Director (Investment Strategy) at Legal & General Investments.

**US MONEY AND CREDIT** 

# Uncanny parallels with 1987 crash

equity traders and investors are looking forward with trepi-dation to October 16 - today - to see if there is a serious rout in the stock market.

In 1987, two years ago, the huge fall on October 18, a Friday, presaged the unprece-dented crash of 508 points on the Dow Jones Industrial Average index the following Mon-

day. Unless you are a believer in the strict mathematics of wave or cyclical theory, the timing of last Friday's sudden fall of nearly 200 points on the stock market could have been just a freak.

However, some, looking at what led up to both the selling deluge last Friday and the crash of 1987, see some remarkable parallels.
In both cases, for example,

interest rate and currency policy co-ordination with the Group of Seven industrial nations appeared to be in disar-In 1987, the October 19 stock

market crash was preceded by an ominous trans-Atlantic war of words between West Germany and the US.

Then, West Germany made it pretty clear that it was dissatistled with the progress being made by the US to improve its trade deficit and would not, it suggested, hold its own financial rectitude hostage to the dollar's fortunes by continuing to support it.

This year, the great equity sell-off was also preceded by substantial unease within the powerful G7. This time, however, the bone of contention was the strength of the dollar which, the non-US industrialised nations argued, was impeding trade adjustments, causing gradual devaluations in their own currencies and threatening their own fights

against inflation. After most European nations and Japan had raised interest rates, the dollar just kept on going up.

In response, the US Federal Reserve may (or may not) have eased. On Friday there were reports that the Fed planned to make liquidity available to the markets in an attempt to head off any further panic selling of

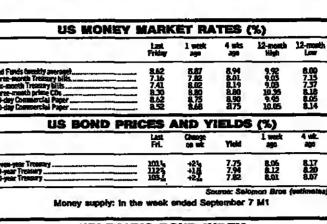
All last week, the US Treasury bond market reacted exclusively to the Fed's open market operations, watching for signs as to whether the central bank indeed had eased in response to pressure from its partner central banks in the G7 and to its own Adminis-

tration. By Friday most were fairly sure that a modest easing was in place, in splite of figures showing higher than expected demand in the consumer sector and prices in September. Both of these sets of figures could be expected to persuade a Fed with more than its fair share of

inflation hawks to keep policy

the market could not go on rising just because corporations were vainglorious and perhaps stupid enough to pay over the odds to take over another company and cripple themselves with debt to boot. And the takeovers kept on coming.

Mr Robert Campean's muchtrumpeted foray (aided and abetted by First Boston) into US retailing through his acquisition of Allied and Federated Stores collapsed in an ignomin-



NRI TOKYO BOND INDEX PERFORMANCE IMPEX Wildle (%) December 1983 - 100 Last week 12/10/39 148 70 149.59 148.83 147.99 554 149.65 151.12 152.27 143.60 152.28 154.53 148.66 150.23 151.59 142.53 152.09 157.12 5.27 515 5.07 4.96 t Estimated per yield

as tight as the Administration ious heap in early September. would countenance.

What made that arcane debate irrelevant last Friday was the ingredient which was present both before the stock market crash of October 1987 and the alarmingly swift sell-off at the end of last week:

speculative bubble. Most of the smart money knew in the weeks (or even months) before the 1987 crash that the market was overval-

However, many were still caught naked against the hurricane when the winds started

This time, similarly, there was many a prophet who wor-

The junk bond market suffered its worst rout since the crash of 1987. Did the equity market worry? No. Instead, it surged to all-time highs (probably despite much worry about dis-array within the G7 which was already apparent).

Source: Nomura Recearch Inethyle

The trigger for Friday's swift sell-off for equities - nearly 200 points in the last hour of trading compared with 500 points or so in the whole of October 19 1987 - was news that banks were not prepared to finance the bid for United Airlines by UAL's management and employees, and British Airways

Even the most intelligent

observer of the markets might have wondered: why UAL why not Campeau, why not Resorts International, why not integrated Resources? There have been enough disasters in companies bought out using junk bonds or restructured using a dangerous amount of leverage,

to send warning signals.
Why did the UAL deal have so much impact? Maybe ause that deal was regarded as being at the respectable end of leveraged takeovers: if this deal failed to find financing, how could other, less auspi-cious deals ever hope to go

Maybe it was the proverbial straw that broke the camel's back. In the week preceding last Friday's news that nearly all international banks had refused to finance the UAL deal there had been numerous stories of troubles.

Qintex of Australia's agreement to buy MGM-UA Communications collapsed because of financing problems, and Ramada scrapped a \$400m debt offering as part of its restruct-uring of Aztar Corp because of the depressed state of the junk bond market.

Maybe it was far more simple than this. Is it worth boosting the equity market by another 10 per cent if 7 per cent can be wiped out in a single Friday afternoon?

Another parallel with October 1987 happened last Friday. As equities slumped, the Treasury bond market surged by more than 2½ percentage points on Friday as investors sought refuge in government-backed paper – even a Gov-ernment which has offered the ultimate case study in the art of leverage to corporate America — and gambled on the Fed being forced into easier policy simply to restore confi-

dence. What the bond market will be looking for today is overt signs that the Fed has eased in response to Friday's stock market shake-out.

Will there, as in 1987, be a statement that the Fed intends to provide whatever liquidity is needed to insulate the US banking system?

Will the non-US members of the Group of Seven be charita-ble and offer some helpful remarks about peace and love and international co-oper-

**Janet Bush** 

# 

# Baring Sterling Bonds

One company, a Gilt Edged Market Maker and AIBD Reporting Dealer offering a complete service in sterling fixed and floating rate and Euro convertible securities.

#### Trading

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#### **Baring Sterling Bonds**

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Closing I

#### INTERNATIONAL CAPITAL MARKETS AND COMPANIES

# Chrysler and Mitsubishi in talks

CHRYSLER, North America's third-largest vehicle maker, is having discussions with possible hishi of Japan about possible joint ventures to produce cars or trucks in Europe.

The talks are still very much in the preliminary analysis stage," said Mr Robert Miller, Chrysler Corporation's chief financial officer, who also disclosed that Chrysler was looking for a partner to produce its highly successful sevn-seater Voyager 'minivan' in

Mr Miller, in London with several other senior Chrysler financial executives during a tour of European capitals
talking to investors, said yesterday that Chrysler's sale for
\$500m of all but 12 per cent of
its 45 per cent stake in Mitsubishi Motors Corporation
(bought for \$55m) was regarded not as a distancing move between the two companies but as a way of "providing additional capital so that we

#### **Falconbridge** meets target with C\$351m

FALCONBRIDGE, the western world's second largest nickel producer, met market expectations by reporting nine-month earwings of C\$351m (US\$299m), or C\$5.26 a share, up from C\$217m, or C\$2.8, a year earlier. Revenues were \$1.9bn against \$1.5bn, writes Robert Gibbens in Montreal. Third-quarter profit was C\$92m, or C\$1.34, up from

C\$87m, or C\$1.19, on sales of C\$579m, against C\$525m. The group is now owned by Noranda of Canada and Trelle-borg of Sweden. The figures, exclude a C\$37m charge relat-ing to the takeover.

Price fall hits Alcoa despite rise in output ALUMINUM Company of America (Alcoa) cited unfa-vourable currency exchange rates, lower pricing and shift-ing demand trends for a fall in third quarter earnings, AP-DJ

Third quarter net income was \$219.0m, down from last year's \$226.3m. Net income per share was \$2.46 against \$2.56. Alcoa said shipments rose to 679,000 tonnes from 671,000. can do more together, particu-larly in Europe." Mr Miller refused to indicate

in which country such a project might be located, its cost or precisely what products might The disclosure that the two

long-time partners were considering a joint European venture comes just two months after Chrysler confirmed that it is undertaking a joint 50-50 ven-ture with Renault of France to produce a light four wheel drive lessure/utility vehicle, code-named II, to be built at the rate of 100,000 units a year in both Europe and America.

The most notable existing collaboration between Chrysler and Mitsubishi is Diamond Star Motors, a \$1bn, 50-50 joint venture producing 250,000 sports cars a year in Illinois. Chrysler's rekindled interest in Europe – from which it departed in 1978 by selling its Rootes and Simca car busideal with market and financial crises in the US - has stemmed from its much faster than expected sales increases in Europe.

The initial impetus was provided by an agreement under which Renault is to market Chrysler's Jeep range in Europe. But minivan and convertibles sales have also taken off through an 800-strong dealer network in Europe, to the extent that Chrysler expects to sell 50,000 vehicles in Europe this year.

This success has helped to

validate Chrysler's idea, first formulated three years ago, that a significant presence in Europe could provide a geo-graphic balance to even out

demand cycles.

Chrysler hopes to hit 100,000 European sales "in the next several years, and it is only right that you should manufacture in a market where you sell that kind of volume.

economies of scale are suffi-cient to allow it to be under-taken."

Mr Miller gave no firm indi-cation of where the joint JJ project with Renault would be sited, but acknowledged that "Spain is a logical candidate, as is France." He made clear there was no prospect of it being located in the UK.

The plant will be built on a

modular basis, allowing highly flexible production. Components of the JJ will be mainly locally sourced, with production of engines and gearboxes likely to be duplicated so that local content will exceed 80 per cent in both Europe and North America.

Widespread speculation about a merger between Volvo and Renault would have no impact on the JJ project, said Mr Miller. "There are no direct implications for our current involvement, though of course long-term could be a different

# Extra aid for Malaysian bank

losses appeared on the books, and the bank had been report-

ing improvements in its bal-ance sheet results until now

because, for the bank, the Government had waived an accounting requirement.
This is the GP3, a ruling

By Lim Siong Hoon in Kuala Lumpur

PETRONAS, the Malaysian state-owned oil company, is to provide another large cash injection for Bank Bumiputra, which is deeply troubled by heavy loan losses.

heavy loan losses.

Bank Bumiputra was set up and controlled by the Government until it passed into Petronas' ownership five years ago. It ranks as Malaysia's second largest bank with assets of nearly 29bn ringgit (\$11bn). Petronas plans to pump 982m ringgit into the bank fol-lowing the latter's write-off of

capital equity. The write-off is caused by loan losses of 1.2bm

ringgit. Bank Bumiputra said its management had little to do with the losses, against which 1.25m ringgit had been reserved for the present financial year. These losses, it said, accumulated from the loans made before 1985 and before the present management took control. The bank said a "significant

imposed after the lessons of a previous banking scandal. Through it, banks can count interests as income only when received for loans that have heen unserviced after they are six to 12 months overdue. Bank Bumiputra said it now plans to abide by the requirement. portion" of the reserves stemmed from overseas loans, but most were to cover bad domestic debts. None of these

#### Write-offs push Libra into loss halfway

By David Barchard

LIBRA BANK, the consortium bank specialising in debt arbitrage in the Latin American market, yesterday reported a pre-tax loss of £174.6m (\$271.5m) in the half year end-

ing June 30.
Libra was established in 1973
and is owned by a consortium
of 10 banks, including Chase Manhattan, National Westmin-ster and two Latin American banks.

The figure compared with a

pre-tax profit of £10.9m in the same period last year. How-ever, the loss was caused by exceptional provisions for loan losses of £191.1m when last March the bank's owners capitalised \$550m of the \$150m per-petual loans granted last year. The bank has now provided against 32 per cent of its Latin. American loan portfolio, its main exposure is in Mexico,

followed by Brazil and Argen-

Mr Peter Bellmont, manag-ing director, said the bank's trading performance was good and that before the provisions were included, it had made pre-tax profits of £16.5m in the first half compared to £10.9m a

year ago. The bank's assets stand at £1.72bn, little changed from a year ago. Its capital, most of which is held in the form of irredeemable preference shares, is £180m.

# UK maker of seaweed bandages

By Peter Marsh

BRITCAIR, a company which specialises in musual wound dressings made from seaweed, is being bought by Merck of the US, the world's largest pharmaceuticals group, for

Merck already sells wound dressings in the US through a subsidiary called Calgon Ves-tal Laboratories. It also harvests products such as kelp from the sea for use in speci-alised chemical applications. Merck, with annual sales of about \$6bn, is keen to expand its wound dressings sector, the

biggest companies in which include Johnson & Johnson and Squibb, both of the US. and Squibb, both of the US.

BritCair, based in Hampshire, was formed in 1985. It has a staff of 78, and expects to show a taxable profit this year of £250,000 (\$388,750) on sales of some £2.5m. Most of these come from sales of wound dressings to the

National Health Service. The dressings take the place of ordinary bundages and are made from fibres produced from a Norwegian seaweed.

#### Euroc sees 27% profit growth

By John Burton in Stockholm

EUROC, THE Swedish building materials, engineering and trading group, yesterday predicted that its profits after financial items for 1989 will rise by 27 per cent to SEr1.95bn (\$160.8m), on sales climbing by 20 per cent to SEr1.5bn.

Rurge made the formatted.

Euroc made the forecast in its eight-month report, which revealed that profits during the period rose by 56 per cent to SKr694m. Half the increase was contributed by companies acquired in 1988, including Castle Cement in the UK.

Revenues from the acquisi-tions are expected to account for 70 per cent of the SKr2bn increase in group sales for the Sales during the period rose by 30 per cent to SKr7.5bn.

# Merck buys | CIBC lifts loan provisions by C\$525m in last quarter By David Owen in Toronto

CANADIAN IMPERIAL Bank of Commerce (CBC), the country's second largest chartered bank, is to add a heavy C\$535m (US\$449m) to its loan provisions in its fourth quarter ended October 1989.

The move will raise to 100 per cent the bank's overall provisions against exposure to k developed countries (LDCs) other than Mexico. It is expec-

ted to reduce fiscal 1989 earnings by approximately C\$300m.

At the end of the third quarter, the bank's net designated LDC exposure stood at C\$770m or 17 per cent of common equity, after deduction of provisions. An official explained the decision not to increase reserves on the bank's Mexican exposure by saying that the country is expected to succeed with its latest debt restructur-

ing proposal. CIBC's initiative is thought likely to spark similar moves

by the other five leading Canadian banks, although not all are expected to boost non-Mexican provisions to the 100-percent level.

New Ride

The decision was facilitated by the bank's strong earnings record in the year to date. Income reached a record CSTAM or CSTAM a share in the mine months to July 31. In the third quarter alone, profits advanced fully 40 per cent to

# Australian public companies 'lag'

By Chris Sherwell in Sydney

AUSTRALIA'S best-performing companies are mostly govern-ment-owned, foreign-owned or privately-owned — in only exceptional cases are they publicly listed, according to a survey published at the week end.

The survey, published by Business Review Weekly magazine, underscored an old axiom zine, underscored an old axiom

— that monopolies, of which
there are several in Australia,
tend to secure the best returns,
especially in the gambling
business. It also showed that
single-industry enterprises did
better than conglomerates.

"In general there are three
ways to make money," it says
pointedly. "You can have a
monopoly, you can have a

monopoly, you can have a dominant market share of 25-75

per cent, or you can have a 5 per cent share but take firm control of a niche." The key measure of perfor-

mance was return on invest-ment — net profit before extraordinary items on average shareholders' funds — over the five years to June 1989.

The survey showed 12 com-panies managing returns greater than three times the greater than three times the average 10-year government bond rate (13.2 per cent). Of these, six were government-dwned, three foreign-owned and two were co-operatives.

The government gambling monopolies (Totalisator Agency Boards) in South Australia, Victoria and New South Wales held positions one, five and six. The Lotteries Commission of South Australia came.

sion of South Australia came The top foreign-owned com-

pany, at number four, was the specialist publisher CCH, a subsidiary of Commerce Clear-ing House of Chicago. NCR

managed number 10; Bankers managed number 10; Bankers
Trust number 11. The only
listed company in the top 12
was the small mining group
Sons of Gwalia.
Others in the top 12 were the
Government's Wheat Board
and Wool Corporation and the
Independent Grocers' Co-operative.

list all managed returns of dou-ble the government bond rate. They included three govern-

They included times govern-ment-owned companies, five foreign-owned companies, three co-operatives and another listed mining com-pany, Consolidated Rutile.

The 100 best performing companies managed returns greater than 15.5 per cent. But of Australia's top 10 listed com-pantes by 1989 revenues, only one made the survey's top 100: National Australia Bank, at 54.

#### Supermarket side boosts Ito-Yokado

By Robert Thomson in Tokyo

ITO-YOKADO Group, which runs supermarket and conve-nience store chains, reported a 42 per cent increase in consolidated net profit for the first half to end August of Y26.5bn (\$188m), after strong sales in its mainstream supermarkets, but a fall in earnings from its

Denny's Japan restaurants. The Ito-Yokado supermarket company reported an 8.2 per cent lift in pre-tax profit to Y38.1bn for the half, with sales rising from Y568.7bn to Y614.5bn.

Consolidated sales for the

group of companies were Y814.6bm, up from Y742bn in the same period last year. Group sales were affected by

a 3 per cent consumption tax introduced on April 1, which slowed purchasing in the retail sector. However, Ito-Yokado expects that Seven-Kleven Japan, the country's largest convenience store operator, and a member of the group,

increased labour expenses and repairs and extensions to the restaurants in the chain. · Nichii, one of Japan's largest supermarket chains, has reported a 14.6 per cent increase in first-half pre-tax profit to end August to Yilbn, and partly attributed the rise to positive results from a newly opened store in Yokowill report an 11 per cent hama, hear Tokyo. The commincrease in sales to 7112m for the year to end February.

Denny's Japan reported a 4.9 and pre-tax profit of 724.5hm, a per cent fall in pre-tax profit to 9.3 per cent increase.

Y3.6bm for the first half, after

This announcement appears as a matter of record only



#### **Severn Trent Water** £1,500,000,000 **Revolving Credit Facility**

Arranger: Lloyds Bank Capital Markets Group

Co Arranger: Manufacturers Hanover Trust Company

Lead Managers: The Mitsubishi Bank, Limited

London Branch

Lloyds Bank Plc Société Générale

Manufacturers Hanover Trust Company

Co-Lead Managers: The Sumitomo Trust & Banking Co., Ltd

Amsterdam-Rotterdam Bank N.V. The Daiwa Bank, Limited The Mitsubishi Trust and Banking Corporation Morgan Guaranty Trust Company

of New York The Sanwa Bank, Limited

Kansallis Banking Group

The Saitama Bank, Ltd.

Co-Managers: The Chuo Trust and Banking Company, Limited The Mitsui Trust & Banking Co., Ltd.

Participants: Banco Central, S.A.
Lodon Branch
The Bank of Yokokasna, Ltd. The Nikko Bank (UK) plc

The Bank of Tokyo, Ltd. Deutsche Bank Aktiengesellschaft The Sumitomo Bank, Limited The Tokai Bank, Limited

Canadian Imperial Bank of Commerce Midland Bank plc

Union Bank of Switzerland

The Yasuda Trust & Banking Co., Ltd. Bank of America NT & SA The Fuji Bank, Limited The Mitsui Bank, Limited

Rabobank Nederland Loudon Branch Westdeutsche Landesbank Girozentrale

Riyad Bank The Toyo Trust and Banking Company, Limited

The Kyowa Bank, Ltd. Union Discount Company Limited

Bank Bumiputra Malaysia Berbad Bank in Liechtenstein (UK) Ltd. Daiwa Europe Bank plc ublic National Bank of New York



# Investments in Germany

As more and more institutional investors pursue multicurrency strategies to reduce portfolio volatility and improve total returns, West Germany is attracting increased attention as fertile ground for investment opportunity.

The German economy - the largest in the New Europe - features corporations with an impressive degree of stability and resilience, continued leadership at the forefront of advanced technology, and an uncompromising commitment to product and service quality.

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#### UK COMPANY NEWS

# Flavour of the month and enjoying it

John Ridding explains how Siebe shook off its unpopular stock market rating

HE mention of Siebe's entry into the FT-SE 100 brings a broad smile to the face of Mr Barrie Stephens, a chief executive who comprises equal parts amiability and a hard-nosed instinct for

making deals.
Siebe's growth into one of the world's largest manufacturers of controls equipment with annual sales in excess of £1bn goes much of the way to vindi-cating a strategy which until recently made it one of the City's least popular stocks.

City's least popular stocks.

The strategy, which involved three rights issues in as many years, one of which coincided with the stock market crash of October 1987, still leaves grudges among a few investors. But the success of the acquisitions they financed is now accepted and shares have enjoyed a re-rating. "We are flavour of the month," proclaims Mr Stephens, "and we kind of like it."

In its current shape, Siebe

In its current shape, Siebe derives over half of its profits and sales from engineering controls for a broad range of customers including the construction, automotive and con-sumer goods sectors. Although each product is different, ranging from thermostats to devices for limiting the speed of diesel engines, their common underlying function is to improve efficiency.

The group's three other main

HILLS OF STATE OF STA

do

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Application of the control of the co

areas — compressed air, safety products and specialist engi-neering — have seen steady growth, although the latter has been held back by a slowdown in the construction of Euro-

pean nuclear power plants. Siebe also has an interna-tional spread. The large majority of sales comes from ontside the UK, with the US alone representing 46 per cent of turn-

But Siebe's rise to its current size has been a far from easy process. Many of the rurning points in the company's prog-ress have involved hostile takeovers. The 1973 acquisition of James North, manufacturer of safety equipment, was bitterly confested, as was the 1983 pur-chase of Tecalemit, a maker of

garage equipment. There has also been more than a dash of good fortune in Siebe's move into the lucrative controls market. Following the acquisition of Tecalemit, Mr. Stephens confesses, "we were looking through the box of what we had bought and I told

FT Share Service The following securities were added to the Share Informa-

Hafslund Nycomed A & B (Section: Industrials). Jakarta Fund (Trusts,

Finance, Land).
Lilly (Eli) (Industrials).
Yasuda Trust & Banking
Company (Banks).

Siebe Share price relative to FT~A Ali~Share Index Pre-tax profits (1989 total £152.5m) Specialist Salety & life Property mechanical support £21.6m Earnings per share 160 engineering £4.6m £14.4m £26.0m 1986 1987 1988

mate does not encourage the

issue of paper to make a major

purchase.

Abstinence from rights issues is one of the principal factors in Siebe's rehabilita-

tion. Of the concerns that remain one of the most com-monly cited by analysts is the

company's image as a

"one-man show". Centralised decision-making is perceived as

Siebe's rapid expansion.

Mr Stephens strongly rejects such a description. "There is no way that I could run all of

potential problem given

companies were no good to us. They were too small and and were in an engineering discipline that we didn't know much about."

After closer inspection, however, the company resolved to hold on to the subsidiaries and the new operation was soon expanded by three pneumatic controls companies which Siebe acquired as part of the purchase of CompAir. "I would like to say that the entry into controls was a grand sweep of strategy, but that wouldn't be telling the truth."

There was also an element of good fortune in the fact that Siebe was able to acquire three large US controls companies -Robertshaw, Ranco, and Bar-ber-Colman - within a year, enabling it to challenge Hone-ywell and Johnson Controls, the world's largest players, in their own backyard.

Honeywell is still by some margin the largest controls group in the US but Siebe's sights are firmly set on eroding signts are firmly set on eroting the gap. "At their last share-holders" presentation they mentioned us by name, twice," says Mr Stephens. "One year before they would probably have thought we were a German manufacturer of hisconits." But Siebe's focus is currently concentrated on other markets

concentrated on other markets. In particular, the group is looking to exploit the technology and products of its US-based subsidiaries in Europe,

The process has been delayed by the need for approval from Europe's various member states but is finally underway. The manufacture of the first of these new my colleagues that the controls products, Robertshaw's gas

Siebe has also ruled out a rights issue in the near future. Although Mr Stephens concedes that "if we perceive a sensible acquisition in the next financial year then timing would be right" he believes that the current economic elicontrol valve, is scheduled to start in February 1990.
Ironically, since Siebe is a
UK company, it faces similar
constraints to non-EC companies in its plans to import technology into Europe. On one level this means satisfying new EC product regulations. More fundamentally, there are con-cerns that a "fortress Europe" will be hard to penetrate after that the current economic cli-

Siebe's response has been to set up a string of manufactur-ing plants, or adapt existing facilities, while minimising duplication. Robertshaw's gas control valve, for example, will be made at an existing site in Cornwall and exported to the

rest of Europe.

Japan provides a second focus for expansion. It is perhaps surprising that Japanese companies do not rank among the world's largest controls manufacturers. It is even more surprising that Siebe, as a foreign company, owns one of the largest Japanese participants in what is a sensitive strategic

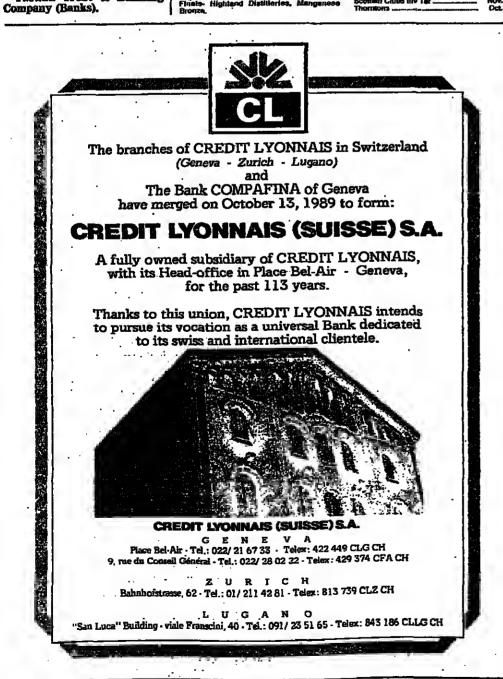
Siebe acquired Ranco Japan at the time of the acquisition of the US parent. It also owns a small electronics controls company and has a 50 per cent stake in Kuroda Watts, another controls maker. Siebe forecasts that its Japanese turnover will rise from about \$100m to \$500m

over the next five years. Expansion in its various markets is likely to come more through organic growth than previously. According to Mr Stephens there is no need for a new business leg and acquisitions are likely to be of a

#### "fill-in" nature. **BOARD MEETINGS**

he following companies have notified dates of board resettings to the Stock Exchange, such meetings are issually held for the pur-	Totarime-
oos of considering dividends. Official indica- tors are not audiable as to whether the skyldends are intering or finals and the sub- skyldends shown below are beend mainly on ast year's timetables.	Chesturileid Pr Clayton, Son Davies & News Elliot (B.)
TODAY  nterime Kingstra Off & Gas, New Ireland, sorthern Foods, Rand Mines Group, Walker LCL, Wasterland Wille	Shell Off Co Sotheby's Hide Toubiba Corp. Finals- Fenner (J.H.)

Totaline-	
Chesterfield Props	Oct. 18
Clayton, Son	Oct. 27
Davies & Newton)	Oct. 18
Eliot (B.)	OCL 25
Shell Of Co.	Oct. 24
Sotheby's Hidgs.	Oct. 25
Touhiba Corp.	Oct. 26
Timele-	
Fenner (J.H.)	Nov. 1
Molyneux Estatos	Oct. 17
Contlinh Cities Ion Tet	Now 13



FINANCIAL TIMES STOCK INDICES											
· . ]	Oct.	0ct	0ct   11	0ct	. Oct.	Oct 6	19 High	69 Low_	Since Con High	pilation Low	
Government Secs	83.79	83.87	83.83	83,91	84.18	84.51	89.29	83.75	127.4	49.18	
Fixed Interest	94.08	93.89	94.23	94.86	95.00	95.21	99.59	93.89	105.4	50.53	
Ordinary	1815.0	1817.7	1797.3	1796,7	1822.9	1857.8	2008.6	1447.8	2008.6	49.4	
Gold Mires	204.7	204.8	205.2	208.2	208.2	208.0	215.2	154.7	734.7	43.5	
FT-Act All Share	1124.57	1127.04	1118.61	1120.83	1136.63	1153.22	1225.80	921.22	1238.57	61.92	
ET CE 100	2233.9	2237.8	2218.8	2218.8	2247.0	2277.5	2426.0	1782.8	2443.4	986.9	

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Application has been made to the Council of The Stock Exchange for the Shares and Warrants, now proposed to be issued, to be admitted to the Official List, it is expected that such Shares and Warrants will be admitted to the Official List, and that dealings will commence, on 19th October,

Particulars of the Shares and Warrants are expected to be available in the Statistical Services of Extel Financial Limited on 17th October, 1989 and copies of the Placing Memorandum which comprise Listing Particulars relating to The Singapore SESDAQ Fund Limited may be obtained during normal business hours from the Company Announcements Office of The Stock Exchange on 17th and 18th October, 1989 and until 6th November, 1989 (Saturdays and public holidays excepted)

> The Singapore SESDAQ Fund Limited Ordnance House, 31 Pier Road St Helier, Jersey Channel Islands

Hoare Govett International Securities Limited 4 Broadgate London EC2M 7LE

Merrili Lynch International Limited Rooemaker Place 25 Ropemaker Street

London EC2Y 9LY

W.I. Carr (Far East) Limited 1 London Bridge London SE1 9TJ

16th October, 1989

This announcement appears as a matter of record only.

trois.

our businesses myself, and if

was surrounded by 'yes men' then we wouldn't last two years." Underneath the board are eight "barons" who report to Mr Stephens, each of which

has his own executive team.

Any threat to Siebe's prog-ress is more likely to come from outside. Although its

return to favour has seen a steady improvement in its

share price, its current rating of just over nine times prospec-tive earnings may still appear cheap to a large player looking to expand into the defensive

and expanding market for con-

that predators have missed

their best chance - when

Siebe was in the doghouse and

before the pain of expansion

October, 1989



£1,000,000,000 6 Year Revolving Credit

#### BARCLAYS

#### SYNDICATIONS

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National Bank of Abu Dhabi

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Agent Bank **Barclays Bank PLC** 



#### **UK COMPANY NEWS**

Some rationalisation but growth should follow

# **BAe and Thomson seek** approval to missile link

By David White and Clive Cookson

BRITISH AEROSPACE and Thomson-CSF are seeking a go-ahead from the UK and Franch governments to merge their top-security missile busi-nesses into a joint company with annual sales of £1.4bn.

The two companies, which are Western Europe's largest suppliers of military equipment, plan to announce today their intention to set up a 50-50

venture, Eurodynamics. It would be the only fully integrated missile concern in Europe capable of making both electronic guidance systems and finished weapons.

The announcement coincides with the first working group meeting today between the two companies and Ferranti International Signal in preparation for a possible BAe-Thomson bid for Ferranti.

However, both BAe and the

state controlled French elec-tronics group said there were no current plans to amalgamate Ferranti with the new mis-

sile venture. They also emphasised that they needed to investigate the implications of Ferranti's financial "black hole", resulting from alleged phoney contracts at the previously US-owned ISC subsidiary, before deciding whether to press

ahead with a bid. A bid for Ferranti would also be on a 50-50 basis but the two companies have already said that BAe would take management responsibilty for Fer-

Meanwhile the General Electric Company is still considering a possible counter-hid. It is understood to be talking to

several overseas electronics companies that might be interested in forming an international consortium to acquire

However, GEC will not be ready to move for Ferranti for some time. Any bid from BAe and Thomson is likely to come

Agreement on the Eurodynamics missile venture is the fruit of two years of talks between BAe and Thomson which first came to public

notice late last year.

The plan is to merge BAe's recently reorganised BAe Dynamics subsidiary, based at Stevenage, with Thomson-CSF's weapon system electronics activities. Eurodynamics will employ almost 15,000 people, the bulk of them from BAe.

In April, the two companies reached a first agreement to co-operate on a BAe private venture air-to-air missile project that are the project to the project that are the project to the project to the project that are the project to the project to

ect, Active Sky Flash.
The link with Thomson to supply the Seeker system for the medium-range missile the medium-range missile meant supplanting GEC-Marconi, which had hitherto been virtually the automatic choice as supplier of guidance systems for BAe missiles.

Thomson-CSF said the joint venture would focus on chotstance and medium range.

short-range and medium-range snrface-to-air missiles, air-to-air weapons and anti-

tank systems. Although the two compa-nies' activities are seen as largely complementary, with Thomson focussing on the electronics and BAe on the weapon itself, BAe said the merger would imply rationalis-

They are currently involved in some directly competitive products, such as the latest generation of French Crotale air-defence missiles and the up-graded Field Standard C Rapler under development in the UK.

However, BAe said the com-bination of the two groups' marketing strengths should ensure growth in the overall

With Ferrantl, Thomson-CSF already has an agreement to collaborate on the next but one generation of radar for fighter aircraft. The two are now working on separate projects

— Ferranti on a bid for the European Fighter Aircraft radar, and Thomson on the radar for the French Rafale fighter. But they envisage a joint "active array" system for the mid-life update of both aircraft in about 15 years' time.

The BAe-Thomson missile the BAe-Thomson missie link is likely to lend force to the campaign by Matra of France, another prominent missile company, to build up a strategic alliance with GEC-Marconi and Daimler-Benz of West Comman, Motion is due to West Germany. Matra is due to announce this week a merger of its space business with GEC's Marconi Space Systems.

If all these moves go ahead, they will go some way towards fulfilling the recent prediction of Professor Roland Smith, the BAe shairman, that the European arms industry could boil down to three or four "major players" by the mid-1990s.

#### THIS WEEK

IF THEY can tear themselves away from hour to hour trading in equities, financial mar-kets will this week be watching a variety of economic data for an indication of UK economic activity, and awaiting
Thursday evening, when the
Chancellor gives his annual
speech to the City at the Mansion House in London.
Today's provisional figures

for September retail sales should provide further evidence of how consumer spending is responding to high interest rates. In August, retail sales rebounded from the lows of the early summer with a monthly rise of 0.4 per cent, but the rise of 0.4 per cent. but the underlying picture is of subdued domestic demand. The consensus of analysts' fore-casts, compiled by MMS Inter-

casts, compiled by MMS inter-national, the financial research company, is for a 0.3 per cent rise in September retail sales. UK industrial production data for August is also due today, and the MMS interna-tional consensus forecast is for a monthly rise of 0.5 per cent. a monthly rise of 0.5 per cent, compared with July's rise of

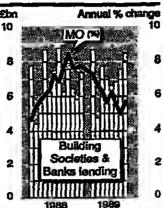
1.8 per cent.
Thursday is a busy day. Foreign exchange dealers are looking to Mr Nigel Lawson's Mansion House speech for an indication of his exchange rate policy, and possibly a reference to when Britain might fully join the European Monetary

The markets are likely to be disappointed. The Chancellor has already said that he will

not discuss the EMS, but there have been hints that he might announce a change in funding ment reversed.

Also due on Thursday are UK unemployment data for September, average earnings for August and money supply figures for September. The last two will provide evidence of any further inflationary pres-sures in the UK economy.

The MMS International consensus is for unchanged growth in M0 of 1.7 per cent,



and 1.8 per cent growth in M4, while M4 bank lending is expected to fall from £8.4hn in August to £7.2hn. The underlying annual growth rate in average earnings is forecast to rise from 9.25 per cent to 9.5 per

UK unemployment is expected to fall by 25,000, but analysts warn that the latest rise in interest rates could see the downward trend in unemploy-

In the US, all eyes will be on tomorrow's trade figures for August. The consensus of fore-casts compiled by MMS Inter-national is for a deficit of \$9bn, up sharply from July's \$7.5bn as the strong dollar undermines the competitiveness of US exports and makes imports

cheaper.
Another indicator of US eco-Another indicator in the earning activity is released on Thursday in the form of September consumer prices. A fall in food prices is expected to be counteracted by higher energy costs, and the consensus is for a rise of 0.4 per cent, compared with the flat growth in Angust.
Other events and statistics
(with MMS International consensus in brackets) include:
Today: US industrial produc-

tion for September. West German producer prices for September. France, industrial production for July.

Tomorrow: UK, public sector borrowing requirement (£100m). Japan, industrial pro-duction for August. France, consumer prices for Septem-

Wednesday: US housing starts for September. West Ger-many, M3 money supply for September.

Thursday: West Garmany, Bundesbank council meeting. Friday: UK, third quarter consumer expenditure. Japan, personal income and consump-

### Top management appointments at UB

By Nikki Talt

UNITED BISCUITS, the foods and restaurant group, will today announce a series of senior management appointments — an extension of the changes began last May with the naming of new chairman to replace Sir Hector Laing when he retires next year. Mr Jim Blyth, group finance director, is to retire at the end of 1990 and be succeeded by Mr John Warren, previously finance director of UB Brands. Mr Warren will spend time with UB's banking and finan-cial advisers and in the US, until taking up his new post.

Mr Frank Knight, the deputy group chief executive, is taking responsibility for corporate services. These include research and development, planning, European personnel, and pub-lic affairs.

Meanwhile, all existing, non-US management and marketing operations in the food sector will be brought under the control of a new European

lts chief executive will be Mr Eric Nicoli, who joined UB as managing director of the UK hiscuits subsidiary from Rown-tree and is expected to succeed Mr. Robert Clarke as chief execntive of UB in a few years time. It was announced last May that Mr Clarke will suc-ceed Sir Hector as chairman in May 1990.

> NOTICE OF INTEREST RATE
> To the Holders of Banco Central do Brasil New Money Bonds
> Due in 1999

in accordance with the provihereby given that the above Bonds will bear interest for the 183 day Interest Period from October 16, 1989 to April 17, 1990, at a rate per annum of 912% as calculated in accordance with the terms of the

BANCO CENTRAL DO BRASH,

The Molson Companies Limited (Incorporated with limited liability under the laws of Canada)

U.S. \$35,000,000 Floating Rate Non-laste date 14th July 1996 Maturity date 14th July 1994 For the three month interest period from 17th October 1989

to 17th January 1990 the rate of interest on the Notes will be 81/3 per annum. The interest payable on the relevant interest payment date will be U.S. \$11,020.84 per U.S. \$500,000 note.

dorgan Grenfell & Co. Limited Reference Agent

THE ROYAL BANK OF CANADA

Dividend No. 409

**NOTICE IS HEREBY** GIVEN THAT's dividend of 55 cents per share upon the paid up common shares of this Bank has been declared will be payable at the Bank and its Branches on and shareholders of record at close of business on 24 October, 1989.

By order of the Board Jane E. Lawson
Vice-President & Secretary

WOOLWICH **EQUITABLE** BUILDING SOCIETY

£200,000,000 Floating Rate Losu Notes Due 1993

In accordance with the terms and conditions of the Notes, notice is hereby given that for the three months interest Period from (and actuding) 13th October, 1988 to (but excluding) 15th Jonnary, 1990 the Notes will carry a rate of interest of 1894, not control of the control 15% per cent. per sensum. The relevant interest Payment Date will be 15th January, 1950. The Coupon Amount por £10,000 will be £395.96 and per £100,000 will be £3,959.59, payable against surrender of Coupon No.66.

Hambros Bank Limited Agent Bank

#### Albert Fisher US purchase worth \$17m By Nikki Talt

ALBERT FISHER, the acquisitive fresh produce distributor, is extending its operations in northern California with the purchase of a fresh fruit and vegetable sup-plier called Royal Foods Com-

The consideration price, part of which is on a deferred profit related basis, could be up to

\$17m (£11m). Royal Foods is based in San Jose and supplies both fresh and pre-cut fruit and vegetables to restaurants, hotels, fast food outlets and the like. It was founded in the sixties

and remains a family-run business, employing around 160 people. It made a pre-tax profit of \$1.73m, after adjusting for certain non-recurring items, in the eight months to end-June,

on sales of \$16.8m. Net worth is

Fisher is funding the \$11m initial purchase consideration via an \$8.8m cash payment and the balance in new shares. Of the maximum additional consideration of \$6m, the company will pay 80 per cent in cash and up to 20 per cent - at Fisher's option - in further

The earmout is based on the profitability of Royal Foods in the 26-month period to end-August 1991. It will pay \$5 for every \$1 of pre-tax profit made by Royal between \$6m and

Fisher says that the acquisi-tion will broaden its coverage in northern California, and that it should also strengthen the group's central buying operations. Royal is expected to work in co-operation with Lee Ray-Tarantino, an existing Fisher subsidiary in the Californian market.

BANK	RETURN		
BANKING DEPARTMENT	Wednesday October 11, 1988	de	Increase or rease for week
LIABILITIES Capital Public Deposits Bankers Deposits Reserve and other Accounts	£ 14,553,000 76,126,136 1,471,321,026 2,402,226,767	+ + +	1,500,543 65,957,796 38,109,658
ASSETS Government Securities Advence and other Accounts Premises Equipment & other Secs _ Notes Goin	1,562,766,534 952,940,871 1,442,346,627 5,669,194 213,703 3,964,226,929	-++-+	26,558,195 398,068,250 48,425,430 328,360,706 6,322,768 4,687 25,558,195
ISSUE DEPARTMENT LIABILITIES Notes in circulation Notes in Banking Department	15,014,040,808 5,968,194 15,020,000,000	:	34,677,232 5,322,194 40,000,000
ASSETS Government Debt	11,015,000 14,808,318,169 400,666,731 16,020,000,000	‡	243,503,760 203,503,760 40,000,000

Notice of Redemption

Kingdom of Sweden

U.S. \$100,000,000 11%% Notes due 1991

NOTICE IS HEREBY given that in accordance with Clause 5(b) of the Terms and Conditions of the Notes, the Issuer will redeem all of the pusturaling Notes at 81.09 per cent, of their principal amount on 19th November, 1989, when interest on the Notes will cease to

Repayment of principal will be made upon presentation and surrender of the Notes, with all unmanured Coupons attached, at the offices of . any of the Paying Agents mentioned thereon.

Accrued interest due 19th November, 1969, will be paid in accordance with the Terms and Conditions of the Notes against presentation of

Coupon No. 6.

Bankers Trust Company, London toth October, 1989

Agent Bank

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Arthur Jay

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**6** -- :

# FOKUS Bank A/S

U.S. \$30,000,000

Floating Rate Subordinated Notes due 1997. Holders of Floating Rate Subordinated Notes of the above issue are hereby notified that for the Interest Period from 17th October, 1989 to 17th January, 1990 the following information is relevant:

1. Applicable interest rate:

8%% per annum 2. Coupon Amount payable on interest US \$226.81 Payment Date:

per US \$10,000 Nominal 3. Interest Payment

Date: 17th January, 1990

Bank of America International Limited

Notice of Redemption

The Export-Import Bank of Korea

U.S. \$50,000,000 Floating Rate Notes due 1994

NOTICE IS HEREBY given that in accordance with Clause 5(B) of the Terms and Conditions of the Notes, the Issuer will redeem all of the Notes at their principal amount on the next Interest payment date, being 24th November, 1989, when interest on the Notes will cease to accrue. Repayment of principal will be made upon presentation and surrender

of the Notes, with all unmatured coupons attached, at the offices of any one of the Paying Agents listed below.

Paying Agents

Bankers Trust Company. 1 Appold Street, Broadgate, London EC2A 2HE

Bankers Trust Luxembourg S.A., P.O. Box 807, 14 Boulevard F.D. Roosevelt,

Accrued interest due 24th November, 1989 will be paid in the normal manner against presentation of coupon number 10, on or after 24th November, 1989.

Bankers Trust Company, London 16th October, 1989

Agent Bank

£200,000,000 MFC Finance No.1 PLC Mortgage Backed Floating Rate Notes Due October 2023

In accordance with the Terms and Conditions of the Notes. In accordance with the Terms and Conditions of the Notes, notice is hereby given that the new interest rates and periods in respect of the subject Notes are as follows:

Series A 4October 1 November 14,705
Series B 5October 2 November 14,805
Series B 100cober 9 November 15,465
Series C 6October 3 November 14,805
Series F 13 October 10 November 15,555 By: Citiberst, N.A. (CSS) Cept.) 16 October, 1869

CITIBANCO

A TELL OF THE PROPERTY OF THE PARTY OF THE P

CORPORATION PLC

(formerly called The Dee Corporation PLC) (Registered in England No. 1162517)

NOTICE OF A MEETING of the Holders of the £66,000,000 5% Convertible Bonds Due 2002 of The Gateway Corporation PLC (the "Bondholders", the "Bonds" and the "Company" respectively) in accordance with the terms and conditions of the Trust Deed dated 25th June, 1987 constituting the Bonds is

The purpose of the meeting is for the Bondholders to consider an Extraordinary Resolution to approve the early redemption by the Company of the Bonds. As a result of the offer made on 28th April, 1989, as subsequently revised and increased (the "Offer"), the Company has become a wholly owned subsidiary of Isosceles PLC and its ordinary shares have ceased to be listed on The International Stock Exchange. It was stated in the offer document dated 28th April, 1989 that an appropriate proposal would be put to Bondholders in due course. A proposal is embodied in the Extraordinary Resolution contained in the Notice of Meeting set out below for the Company to redeem the Bonds early at a redemption price of 104 per cent. of the principal amount thereof together with accrued interest. This redemption price compares with middle market quotations for the Bonds of 95 per cent. on 14th April, 1989 (the day before the Offer was announced) and 99 per cent. on 12th October, 1989 (the latest practicable date before the publication of this notice), in both cases as derived from The International Stock Exchange Daily Official List for the respective dates.

Holders of £37,256,000 in principal amounts of the Bonds (56.4 per cent. of the Bonds in issue) have given undertakings to the Company to vote in favour Copies of the Trust Deed constituting the Bonds, including the terms and conditions of the Bonds, the first supplemental trust deed, dated 12th October, 1989, and a draft second supplemental trust deed to effect the change of the redemption date of the Bonds, will be available for inspection by Bondholders at the specified offices of the Paying and Conversion Agents set out below during normal business hours on any weekday (Saturdays and public holidays excepted) up to and including the date of the meeting.

In accordance with normal practice, the Trustee expresses no opinion as to the merit of the Extraordinary Resolution but has authorised it to be stated that it has no objection to the Extraordinary Resolution being submitted to the Bondholders for their consideration.

THE GATEWAY CORPORATION PLC Notice of Meeting of the holders of 5% Convertible Bonds Due 2002

NOTICE IS HEREBY GIVEN that a meeting of the holders of the 5% Convertible Bonds Due 2002 of The Gateway Corporation PLC will be held at the Great Eastern Hotel, Liverpool Street, London EC2 on Wednesday, 8th November, 1989 at 11.00 a.m. for the purpose of considering and, if thought fit, passing the following resolution, which will be proposed as an Extraordinary Resolution in accordance with the provisions of the Trust Deed constituting Extraordinary Resolution

"THAT this meeting of the holders of the outstanding 5% Convertible Bonds Due 2002 (the "Bonds") of The Gateway Corporation PLC (the "Company") constituted by a Trust Deed dated 25th June, 1987 (the "Trust Deed") between the Company (formerly called The Dee Corporation PLC) and The Law Debenture Trust Corporation p.l.c. (the "Trustee") as trustee for holders of the Bonds, hereby: sanctions and approves that the Bonds be redeemed, together with interest accrued up to and including the redemption date, on 17th November, 1989 or, if later, the date 9 days after the passing of this Extraordinary Resolution at a redemption price of 104 per cent. of the principal amount thereof and otherwise in accordance with the conditions thereof;

sanctions any modification, abrogation, variation or compromise of, or arrangement in respect of, the rights of the Bondholders and the holders of the interest coupons (the "Coupons") relating to the Bonds against the Company (whether such rights shall arise under the Trust Deed, the Bonds, the Coupons or otherwise) involved in the implementation of this Extraordinary Resolution; and authorises and requests the Trustee to concur in the implementation of this Extraordinary Resolution and to execute a Supplemental Trust Deed to give effect thereto in the form of the draft produced to the meeting and signed for the purpose of identification by the Chairman bereof, with such amendments (if any) as the Trustee shall approve."

Dated 16th October, 1989 Registered office: Silbury Court, 418 Silbury Boulevard,

Quorum and voting for the meeting of Bondh

A Bondholder wishing to attend and vote in person at the meeting of Bondholders
must produce at that meeting the Bonds in respect of which he is the Bondholder or
a valid voting certificate issued by a Paying and Conversion Agent at the offices
specified above.

2. A Bondholder not wishing to attend and vote at the meeting in person may either deliver his Bonds or a voting certificate to the person whom he wishes to attend on his behalf or cause to be issued by a Paying and Conversion Agemt a block voting instruction authorising the proxy named in the said block voting instruction (who need not be a Bondholder) to vote in accordance with his instructions. For the purpose of obtaining a voting certificate or appointing a proxy under a block voting instruction the Bondholder must have deposited his Bonds with the Paying and Conversion Agent issuing the said voting certificate or block voting instruction no later than 11.00 a.m. (London time) on Monday, 6th November, 1989 (or in the case of an adjourned meeting, the time and date two business days before the time and date of such adjourned meeting), provided that in cases where the Bonds are held by Euro-clear or Cedel S.A. a Bondholder may (instead of depositing the Bonds with such Paying and Conversion Agent) direct that his Bonds be blocked in accordance with the relevant procedures. Bonds so deposited or blocked will not be released until the first to occur of:—

if a voting certificate has been issued, the surrender of the voting certificate to the Paying and Conversion Agent which issued it: or

(iii) if a block voting Instruction has been issued, the surrender to the issuing Paying and Conversion Agent, no later than the time and date two business days before the time for which such meeting or adjournment thereof is convened, of the receipt for each such deposited Bond which is to be released, coupled with notice thereof being given by such Paying and Conversion Agent to Bank of Scotland on behalf of the Company.

(i) the conclusion of the meeting or any adjournment thereof; and

Milton Keynes MK9 2NB

1 Appold Street. Broadgate,

London EC2A 2HE

 Aeschenvorstadt, CH-4002, Basle, Switzerland

Names and addresses of Paying and Conversion Agents: Bankers Trust Company, Swiss Bank Corporation, B

Banque Indosuez Luxembourg, 39 Allée Scheffer, L-2520, Luxembourg

3. The quorum required at the meeting of Bondholders for the purpose of passing the proposed Extraordinary Resolution shall be two or more persons present holding Bonds or vouing certificates or being proxies and holding or representing in aggregate a clear majority in principal amount of the Bonds then outstanding. If within 15 minutes from the time appointed for the meeting, a quorum is not present, the meeting shall stand adjourned for such period, not being less than 28 days nor more than 42 days, as may be appointed by the chairman of the meeting and at such adjourned meeting, two or more persons present in person holding Bonds or voting certificates or being proxies (whatever the principal amount of the Bonds so held or represented) shall form a quorum and shall have power to pass any resolution and to decide upon all matters which could properly have been dealt with at the meeting from which the adjournment took place had a quorum been present at such meeting.

By Order of the Board, Elizabeth Hignell, Director.

Every question submitted to a meeting shall be decided in the first instance by a show of hands and in the case of equality of votes the chairman shall both on a show of hands and on a poll have a casting vote in addition to the vote or votes (if any) to which he may be entitled as a Bondholder or as a holder of a voting certificate or as

On a show of hands every person who is present in person and who produces a Bond or a voting certificate or is a proxy shall have one vote and on a poll every person who is so present shall have one vote in respect of each £1,000 principal amount of Bonds so produced or represented by the voting certificate so produced or in respect of which he is a proxy. of which he is a proxy.

To be passed the Extraordinary Resolution requires a majority consisting of not less than three quarters of the wotes cast thereon at the meeting. If passed, an Eatraordinary Resolution shall be binding upon all the Bondholders (whether present or not present at such meeting) and all holders of the interest coupons relating to the Roads.

Bondholders whose Bonds are held by Euro-clear or Cedel S.A. should contact the following for further information:— Euro-clear: Custody Operations Department (telephone Brussels (322) 519 1211, telex 61025) Cedel: Corporate Action Department (telephone Luxembourg (352) 448 821, telex 2791)

This notice has been approved by S. G. Warburg & Co. Ltd., which is a member of The Securities Association.

**PRECAST** 

CONCRETE **DESIGN & BUILD** 

COSTAIN

Costain

**Dow Mac** 

Channel

Tunnel

project

project.

KIER MANAGEMENT. a

Beazer company, has been appointed co-cordinating con-

tractor for the £60m North Pole

Depot, an important element of British Rail's Channel Tunnel

To be built at Wormwood Scrubs, West London, it will service the fleet of high-speed

passenger trains capable of reaching nearly 200 mph. As

co-ordinating contractor, Kier

will be responsible to BR for co-ordination, administration

and management of both the

design and construction

former western region mar-

shalling yards, near Worm-wood Scrubs. The site is some

3 km long with an average width of only 70 metres.

shed 413 metres long by 36 metres wide and a repair shed

215 metres by 32.3 metres with

amenity blocks and ancillary

huilding. Extensive and com-plex track works and services,

two bridges and works to a

tunnnel are included. The depot is scheduled for comple-

Cementation

wins £20m

tion in 1992.

Works include a servicing

The depot will be built at the

#### DIARY DATES

#### Trade fairs and exhibitions: UK

British Designer Show (03-885 October 26-29
1900 (until October 17) National Knitting Exhibition Olympia

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**在京京公司** 西京加入公司

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Hotel, Catering and Leisure Industry Technology Exhibition - HOTECH (01-978.2050) Kensington Exhibition Cen-

ize ize October 19-29 Law Society National Conference and Exhibition (0423 Harrogate Exhibition Centre

October 19-29 London Motor Fair (01-385 1200) . Earls Court October 22-25 Homa Interiors Exhibition (01-385 1200) Olympia

International Leisure Business Week Exhibition (0872 372842) NEC, Birmingham

October 24-26 Omnec: The fibre optics users exhibition and conference (0223

#### Overseas exhibitions

International Robotics, CAD/ CAM, Automation Engineering Exhibition - PRODUCTIQUE (01-225 5566) (until October 26) **Paris** 

October 23-27 International Electronics, Computers, Materials and Semi-Conductors Exhibition - IECM (01236 2399)

Beiling October 31-November 2 International Clothing Textiles
Trade Fair - INTERSTOFF (01-734 0543) Frankfurt

November 8-11

**Business and management conferences** 

October 16-17 Financial Times Conferences: Re-regulating Europe'a finan-cial sector (01-925 2323) Hotel . Inter-Continental,

October 24-25 International Business Communications: Third annual conference on the management and marketing of unit trusts

(637\_4383) London Marriott Hotel, W1 October 27 CBI Conferences: Manufactur-

ing: Maintaining the momen-tum (01-379 7400) October 30

The Watt Committee on

Energy: Energy: Today's decisions, Tomorrow's world (01-379 6875) Guildhall, London

October 30 The Institution of Mining and Metallurgy: Mining finance (0f-580 3802) .-: . .

London October 31-November 2 Blenheim Queensdale: UK National Conference on Paper-

Queen Elizabeth II Conference Centre October 31-November 2

Financial Times City Seminar (01-925 2323) Plaisterers Hall, City of Lon-

November 2 Concorde Services: Advertiser supported TV: threat or opportunity? (01-743 3106)

Hilton Hotel, London

The Chartered Institute of

Barbican, London

(0272 701370) NEC, Birmingham November 1-3 Information . Technology Exchange Exhibition - ITEX

November 2-5 London Money Show -MONEY (01-940 2244)

Olympia November 7-9 International Banking Exhibition (01-749 9535) Barbican

November 7-12 Kensington Antiques Fair (04868 22562) Kensington Town Hall November 11-19 Caravan, Camping & Holiday Show (01-222 9341) **Earls Court** 

November 12-16 Wholesale Buyers' Gifts Fair Olympia

International Office Environ-

ment Exhibition (01-486 1951)

November 14-18 International Maritime Equipment and Inland Shipping Exhibition (01-495 7977) November 15-19

International Machine Tools and Metalworkings Trade Exhibition and Conference – THAI METALEX (0494 729406) November 21-25

Furniture and Wood-17 (765)
Machinery Show (01-379 (765)
Taipel Furniture and Woodworking

Management Accountants: Practical pricing policies (01-637 2311) Crowne Plaza Hotel, Man-

November 6-7 Financial Times Conferences: Business with Spain - strategies for 1992 and beyond (01-925

Palace Hotel, Madrid November 10 HS Conference Studies: The probate and estate planning secretary today (01-936 2382) The Park Lane Hotel, Lon-

November 13-14 AIDA International: Trade in the single European market (Brussels 32(0)2 345 99 23)

Copenhagen November 14-16 Blenheim Online: Computers in the City (01-868 4466)

Barbican Centre November 14-15 FT Conferences: World Shipping (01-925 2323)

Amsterdam November 16 The Henley Centre: The UK economy in the 1990's (01-353 Commons: D

9961) Cavendish Conference Cen-

tre, London November 16-17 FT Conferences: World Elec-tricity 01-925 2323) Hotel Inter-Continental,

November 17 Acquisitions Monthly: Post-acquisition management (0823

Portman Hotel, London

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there have been no changes to the details published

#### FINANCIAL

bour Lane, Harpenden, Herts., 10.00 Holdings, 20, Fenchurch Street, E.C., bour Line. Faurenaen, Herts., 10.00 Holdings. 20, Fenchurch Street, E.C., 12.30 Lynx, Fountain Procinct, Balm Green, Shel-field, W. Yarispine, 10.30 Macro 4, The Brewery, Chiswell Street, E.G., 12.00 finale; fighland Distilleries #20020000 Grosse 12.00 Hitler & Santhouse, Trists Hotel, 56-62, Ces-tic Street, Liverpoot, 12.00 Sevillis Gordon (J), Egdbacton Assembly Rooms, 2, Sterling Road, Birmingham, Interfene: Kingston Oil & Gas New Ireland Northern Foods Randa Mines Group Watter (J.C.) Smith (W.H.), Milibank Tower, S.W., 11.30 BOARD MEETINGS-Interfine:
Boot (Hanry)
Bracken Mines
British Shoe Corp.
Bruedshoner Holdings
Chesterfield Properties
City of Oxford Trust
Davise & Newman Hold.
Hewker Siddeley
House of Lerrose
Klancae Mines

Willington Dividend and interest payments-DIVIDEND AND INTEREST PAYMEN
ASpan Comma. 249
B.B.L. Ind. S271.40
British Austes Tet 4½pc Pf 1.576p
Do. "A" Spc Pf 1.76p
Campari Ind. 29
Chrysler 30cts
EW Fact 1p
Fleming O'cass Inv Tet 2.5p
Ford Seller Morris Props. 3.5p
Gardner (DC) 1.1p
Hibernian Irf. 0p
Life Sciences Intl. 0.8p

Incernant Irrup
Mil 3.0p
Life Sciences Intl. 0.8p
Life Sciences Intl. 0.8p
Midline 2.5p
Midline 3.5p
Midline

rard Hidgs., Kingston Lodge Hetel, Kings-ton Hill, Kingston-Lipon-Thames, Surrey, 10.20

10.30
ngagrange, Butchers' Half, Bartholomenv
Close, E.C., 10.00
co, Stanneylands Hotel, Stanneylands Rd,
Wildmalow, Cheehire, 9.30
scitical love., 27, The Minories, E.C., 12.30
scrool Grp., St. Ermine's Hotel, Caxton
Street, S.W., 12.00
scietz Goldentith, The Inn on the Park, Park
Lane, W. 12.00

Tudor
DIVICEND AND INTEREST PAYMENTSAbbey Netional FRN's 2000 2351.30
Adscene 4p
Altten Hume Int. 0.5p
Anglie Building Society FRN's Jan 1888
S177.23
Bank of New York O'seas Finance 6td FRN's
Jan 1895 \$225.81
Charterhall 1.1p
Ciscorp O'seas Finance Gtd FRN's 1982
\$222.01
Coronation Syndicate Side

Coronation Syndicate Scia Fluor 4cta Hamilton Off 2,5cm

nce Fitg Rute Ser Nts April 1993 \$457.17 31 Group FRIN's 1984 C177.23

Group FRN's 1994 C177.23
seelontein United Colliertes 35cts
sits Farga Fitty Rate Sub Na July 1997
\$223.19
WEDNESDAY OCTOBER 18
COMPANY MEETINGSingueroth, Dukes Hotel, St. Jurned's Place,
St. Jurned's Street, S.W., 3.00
tomagic Holdings, A.M. House, Coldhar-

#### PARLIAMENTARY 4 7, . .

Lords: Employment Bill,

Commons: Debate on Griffiths Report on community care. Lords: Greater Manchester (Light Rapid Transit System) (No. 3) Bill, third reading. Midland Metro Bill, third

Licensing and Cinhs (Amendment) (Northern (Amendment)
Ireland) Order.
Select committees: Employment: subject, the proposed
European Social Charter. Witness: Commissioner Vasso
Papandreou (Room 8, 3 p.m.)

Wednesday Commons: Dabate on 1989 defence estimates.

Lords: Self-Generating Schools (Scotland) Bill, committee.

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DiviDEND AND INTEREST PAYMENTSAltied London Props 5-apc PI 2.875p
American 7st 1.49
Comersion 9-apc 2005 4.75pc
Echilar 17.5cs

£177.23 wa Scotia (Province of) 11% pc Ln 2019 5% pc simitar Worldwide Selection Fd Pl (US Dol-

DEP (Worldwide Bond) 41cts
bury 10p
THURSDAY OCTOBER 19
COMPANY MEETINGSblet, Prince of Wales Lane, Birmingham,
12.00
normark (Louis), Connaught Rooms, 61-65,
Great Queen Street, W.C., 11.30
DARD MEETINGS-

Orange Free State Inva. Scotlish Mortgage & Trust Transvani Group Welkom Gold CIVIDEND AND INTEREST PAYMENTS-

WSP 0.90
FRIDAY OCTOBER 20
COMPANY MEETINGS
Black (Peter), The Brewery, Chiswell Street,
E.C., 12.30 Border TV, Television Centre,
Carlicle, 12.00
BOARD MEETINGS-

Jantar
Ocean Wiscons
DIVIDEND AND INTEREST PAYMENTS
Anglo American Indt, 24,582p
Chiestain 1.8p
Cooper (Alan) 2.8p
Dean & Bowes 2.75p
English & Scottleth Investors 0.85p

Arathar 39 ells Fargo 90cts Entworth Ind. 1.5p holesate Fitzings 12.75p SATURDAY OCTOBER 21

DIVIDEND AND INTEREST PAYMENTS

English & Scottleft Investors of Event 1.5p Excellibur Group 0.75p Historn Ind. 2.8p Holt (Joseph) 7p Islington 11.8pc 2017 5.85pc Johns & Shipman 1.5p Porvair 0.9p Queens Most Houses 1.08p Histori Chaemas 147p

miter Workster) 45cts
Pf (Sterling) 53p
Pf (SCU) 30cts
PMortdwide Bond) 41cts

Photo: CDFC Trust

Employment (Age Limits) Bill, third reading. Select committees: Trade and Industry: subject, British Ship builders. Witnesses: Mr Christopher Campbell, chairman, and board members, Mr Douglas Hogg, Industry Minister and DTI officials.(Room 15, 10.45 a.m.)

Thursday

Commons: Continued debate on 1989 defence estimates. Lords: Local Government and Housing Bill, report.

Friday

Commons: Debate on top-up loans for students.

#### CONSTRUCTION CONTRACTS

# Birmingham indoor arena

CONSTRUCTION has won a 251m design and construct con-tract from Birmingham City Council for the National Indoor Arena in Birmingham. It will have a space-frame roof, and seating for 12,000. The struc-ture will be of reinforced concrete. Multi-storey car parks will take 2,600 cars. Completion is scheduled for May 1991. A £16m contract from BP

International is for offices and laboratories at its research complex in Sunbnry. The reinforced in situ frame will be clad with granite and curtain walling.

Kumagai Gumi in conjunction with Ranelagh Develop-ment has awarded a £12.5m contract to construct nine floors of offices, and four flats, at 14/15 Stanhope Gate, West London, to be completed by

February 1991. Phase One redevelopment of Risley Remand Centre is being undertaken under a £10.7m contract which includes two blocks of living accommodation, each with 192 cells.

> Other work includes a £5.4m contract for phase 2A at the Countess of Chester Hospital, and a £1.1m production unit for

### Edinburgh offices project for Royal Bank of Scotland

SIR ROBERT MCALPINE CONSTRUCTION MANAGE-CONSTRUCTION MANAGE-MENT has been appointed by RBS Property Developments as construction manager for the £40m first phase on an admin-istration building in South Gyle, Edinburgh, for occupa-tion by the Royal Bank of Scot-land

On a 7.4 hectare site bounded by South Gyle Cres-cent to the east and Redheughs Avenue to the north, this phase will provide 26,800 sq metres floor space.

Comprised of three-storey modules, the building predominantly provides open plan offices and a lower ground floor which will contain car parking and central plant. The offices are arranged around central top-lit atria, and each module is served by escape stairs and local plant rooms in service towers at the corners.

Supported by large diameter bored piles, the structure will be of reinforced concrete columns snpporting in-situ con-

crete coffered floors and roof. The perimeter service towers will be constructed in in-situ concrete and clad in natural stone.

External walls to the offices will have opening windows and projecting glass-clad solar screens and access walkways. The roof is generally flat and of "inverted" construction, with a continuous mono-pitched aluminium-clad perimeter parapet screening roofmounted plant. Completion is due in April 1992.

#### **Brighton office development**

FAIRCLOUGH BUILDING has been awarded orders worth over £50m in Brighton, Basildon. Felixstowe and Ashford.

The largest is the construc-tion of Trafalgar Place, a £35m high-specification office com-plex next to Brighton rail sta-Five blocks of offices, rang-

ing between five and seven storeys, are grouped around a landscaped piazza with a fountain. They will be built to open-plan form, with suspended ceilings, raised floors, full air-conditioning and quality finishes. One block will also comprise shops and flats.

DEW GROUP has won orders

totalling over £30m. A £5.5m contract for Yorkshire Water

Authority is for construction of

humus tanks at Knostrop sew-

age treatment works, near

awarded contracts totalling

The largest, valued at £3.5m, is for an indoor sports and lei-sure complex at Castor, Peter-

borough, for Pearl Assurance.

Construction involves a timber glulam frame with brick and

stonework cladding. Once com-

Pearl employees with a com-prahensive range of indoor

facilities including a sports hall, squash and badminton

courts, bowls, snooker, a func-tion room and refreshment

In Hitchin, a £2.8m contract from North Hertfordshire Dis-

trict Council is for a swimming

pool, a splash pool and first

floor cafeteria with open-air

A £1.7m contract is under-

way for the Sue Ryder Founda-tion, at Thorpe Hall, Peterbor-

refurbishment of the Cromwel-

entails a

terrace.

ongh.

lete, the centre will provide

with a penthouse flat taking it up to eight storeys. The 300,000 sq ft develop-

ment with underground parking is being constructed for AMEC Properties/Ewbank Preece. The project is sched-uled for completion in May 1991, when 130,000 sq ft of the development will be available

tional car parking for the Eastgate Shopping Centre in Basildon. The £5m project includes a four-storey concrete-framed car park, with a covered access

Leeds. North West Water has

placed contracts for civils works at Cowpe WTW and Oswestry WTW totalling

£4m.Other orders include a

CEGB contract at Fiddlers

dential nursing accommoda-tion for the terminally ill.

Also in Peterborough is a

£1.2m design and build project, for a parcel distribution centre

for Freemans Mail Order. At Cambridge Science Park two

high-technology headquarter projects, worth £1.8m and

£1.2m respectively, are under-way for Tadpole Technology

Among other awards are:

various projects at studs in Newmarket totalling £2.9m; an

assembly and office unit at

Pinnacla Estate, Harlow, for

CD Monninger, a radar control

tower for the PSA at RAF Hon-

nington, Suffolk (£185,000);

refurbishment and improve-ments at Hills Road Sixth Form College, Cambridge (£300,000); and restoration works in Cambridge at Kings

College, Fitzwilliam Museum and Magdalene College.

and Sun Micro Systems.

£30m workload for Dew Group

Leisure complex for Pearl staff

RATTEE AND KETT has been lian mansion to provide resi-

for letting.

Fairclough is providing addi-

ling over £4m.

to the centre.
At Ashford, Kent, the com-

pany is to construct a £3m 100-bed Holday Inn Garden Court Hotel for the Firoka Group on a design and construct basis.

Fairclough has a £7m fasttrack contract for an industrial scheme in Felixstowe. Two high-technology units, over 10,000 sq metres in area, will be built in Carr Road, near Felix-stowe Docks for Schlumberger Industries. Containing production, office and warehousing accommodation, the units, one single-storey, one two-storey, will be used for the manufacture of electronic metering and measuring equipment.

CEMENTATION companies in the building and civil engineer-ing division of Trafalgar House have secured contracts worth over £20m. Among them is a £3m piling job at East India Dock redevelopment; construc-tion of 25 storage igloos and roads at RAF Upper Hayford Ferry (£2.1m) and further works at Salford Quays for the City of Salford (£1.1m). Build-(£3.8m); refurbishment of the Drigg marine pipeline for BNFL (£3.4m); and driving 2km ing contracts total £10m. The piling division has orders totalof underground roadways at Malthy colliery for British Coal

TORONTO DOMINION BANK

50,000,000 WARRANTS ("WARRANTS") TO PURCHASE CANADIAN DOLLARS 50,000,000 121/2% DEPOSIT NOTES DUE NOVEMBER 27, 1994

CANADIAN DOLLARS 50,000,000 12%% DEPOSIT NOTES ("NOTES") DUE NOVEMBER 27, 1994

In accordance with the terms and conditions of the Warrants, Paragraph 4(a), and the terms and conditions of the Notes, Paragraph 6(c), notice is hereby given that The Toronto-Domioion Bank is cancelling the outstanding Warrants and is redeeming all of the outstanding Notes on November 27 1989 at 100% of the principal amount thereof.

All unexercised Warrants are hereby cancelled and become void effective

Notes may be presented for payment at the following paying agents: THE TORONTO DOMINION BANK (Principal Paying Agent)
Triton Court, 14 - 18 Finsbury Square, London EC2A IDB

KREDIETBANK G.A. LUXEMBOURGEISE

MORGAN GUARANTY TRUST COMPANY OF NEW YORK Avenue des Arts 35, B-1040 Brussels, Belgium

SWISS BANK CORPORATION

I Aeschenvorstadt, 4002 Basie, Switzerland

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THURSDAY OCTOBER 12 1989

Local

Currenc

DOLLAR INDEX

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

Gross Div. Yleid

Dollar

% change local cur-rency since Dec.30 '88

FRIDAY OCTOBER 13 1969

Currency Index

Sterling Index

since Dec.30 '88

#### CURRENCIES, MONEY AND CAPITAL MARKETS

NATIONAL AND REGIONAL MARKET

Figures in pare

POU	ND SPOT	FORWAR	D AGAII	IST 1	HE POU	ND
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Commercial rates taken towards the end of London crading, Belgian rate is cornectible frames. Financial fram 62:30-62:40 Shr-counts forward dollar 4.71-4.66cpm 12 nomits 8.55-8.45cpm

#### **MONEY MARKETS** Inflation figures renew rate fears

FRIDAY'S NEWS of a sharp rise of 1.1 per cent in Septem-ber West German wholesale prices - the market was expect-ing a figure of around 0.5 per cent - coupled with larger than forecast gains in US producer prices and UK retail prices did nothing to allay fears that interest rates may go yet higher in Europe. At the same time there were doubts that US rates would be cut.

UK elearing bank hase leading rate 15 per cent from October 5

Government bond markets fell in Frankfurt, New York and London. Trading on Liffe in German bonds and Euro D-Mark futures reached record levels, at 55,619 and 15,840 con-

on the Frankfurt money market call money rose to the Lombard rate of 8 per cent amid speculation that the Bundesbank might even

2000210
sure for higher rates seemed to
filter through the Euromarkets
from New York, but dealers in
Frankfurt were generally scep-
tical about one carly more

Fears of another rise in offi-cial Danish interest rates increased as the krone required support within the EMS on Friday. Dealers in Paris also said that they did

not rule out another rate rise. In London three-month interbank rose to 15%-15% per cent on Friday, as speeches during the week by the UK Prime Minister and her Chancellor at the Conservative Party Conference failed to reassure financial markets. Fear of another rise in base rates followed Mr Lawson's comment that he would "take whatever action is

needed, however unpopular." Nervousness was illustrated by a rise in the average rate of discount at the weekly Trea-sury bill tender. The rate on 91-day hills rose to 14.5687 per

€ 1	N NE	W YO	RK	CUR	REN	CY RA	TES
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8.30 Jam 9.00 Jam 10.00 Jam 10.00 Jam 10.00 Jam 1.00 Jam 2.00 Jam 3.00 Jam 4.00 Jam	Descriptions  Descriptions	89.5 89.5 89.4 89.4 89.3 89.2 89.1 89.3 89.3	89.3 89.4 89.3 89.3 89.3 89.4 89.1 88.8 88.8		misssion	181.294 8.85992 W/A 8.21415 2.09939 211.183 0.900560 s of SDR and Calculations.	255.706 7.63137 130.905 7.06860 1.80604 181.576 0.772761

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Morpay Guaranty 1982=100, Bank of 1 1965=1007=Rates are	England hodes	merage 1980- (Base Average	UAE	5.7145 · 5.7175 "Selling rate	3.6720 - 3.673

#### MID WALES

The Financial Times proposes to publish this survey on:

**3RD NOVEMBER 1989** 

For a full editorial synopsis and advertisement details, please contact:

ANTHONY G. HAYES on 021-454-0922

or write to him at:

George House George Road Edgbaston Brimingham B15 1PG

FINANCIAL TIMES

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## Aluminium The Financial Times proposes to publish this survey on: **25th October 1989** For a full editorial synopsis and advertisement details, please contact: Authory G. Hayes on 021-454-0922 or write to him at: George House George Road

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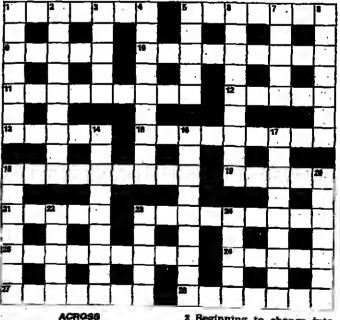
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### **CROSSWORD**



appreciation (9)
11 Foul-mouthed in Kent? (9)
12 Legal right to let it out (5)
13 Initially every delinquent is called to order (5)
15 Men let oil discharge — it's soothing (9)

18 Study way to American sports ground (9)

sports ground (9)

19 Unopened specimen is enough (5)

21 Do any Long Island shops keep this material? (5)

23 Cafe sent meet I ordered (9)

25 det pump or a part is damaged (9) aged (9)
26 "Mysterious — with its native sea" (Wordsworth)

(5) 27 Girl with time to make a tile 28 Droops on horseback? (7)

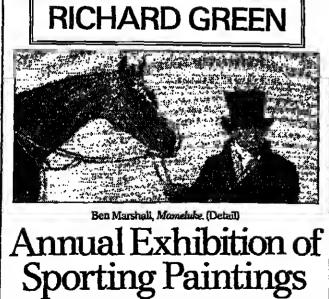
DOWN
Players get Swedish money

14 Leaves producer to rent her building (9) 16 Bring down deliveries worth producing (9)
17 Once thoughtful and dear

18 Get in touch with acquain-

18 Get in touch with acquaintance (?)
20 Former nurse joins son and stretches out (?)
22 Boy takes in work then runs! (5)
23 Time after this to see more footbell? (5)
24 and 8 Stupidly moves tent — sure loses head up here! (5.7)
The solution to lest Saturaled

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday October 28.



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FINANCIAL TIMES

# The Business

Papandreou, the strong-feetured and willed European

Social Affairs Commissioner. takes her campaign for an European Community charter of basic workers' rights into

largely hostile territory. She will put her case to the House

will put her case to the House of Commons Employment committee, preach to the uncoverted – and probably unconvertible – Mr Norman Fowler, the Employment Secretary, and the Confederation of British Industry, and see the already-persuaded Mr Neil Kinnock, the Labour Party leader.

No single issue divides the British Government from all its EC partners more clearly

its EC partners more clearly than the Commission's pro-posed social charter. It aims to place a minimum safety net on pay, working conditions and rights underneath workers

who might otherwise feel threatened by more cut-throat

businesa competition in the post-1992 single European mar-ket. Not only is this end at odds with the goal of deregu-

lating the labour market which the Thatcher Government has

pursued in Britain. So are the

means proposed by the Com-mission — a mixture of Com-munity-wide legislation and of "social dialogue" between employers and unions in mem-

ber states.
But Ms Papandreou knows

the British scene and has her

defences prepared, as one would expect from someone

who not only learnt hut taught

economics in the UK. For a start, she contests the British

Government's equation of

lahour market deregulation with job creation. "Over a 10-year period, the UK has performed no better than any other EC state — employment increased by half a million, which reletions to the country to the country of the country of

which relatively amounts to

the Community average," she points out. "You cannot have

sustained economic growth

without social consensus." The latter, she defines as "taking

into account the needs, desires, aspirations of all social

groups."
Take West Germany inside

the Community, or Sweden outside it, she says. Those economies which are better off

are not those which have no

discussion or dialogue between the two sides of industry. She shares the wider vision

of Jacques Delors, the Commis-sion's president, in wanting to hold up Europe as an example

to the rest of the world.

known as a democratic place,

where different social groups

participate and enjoy the bene-

fits of growth. This is why both

western and eastern countries look to the EC as a signal, a light, an example." Noting the

Community's current magne-tism for its neighbours, she says: "It is not only the rate of

growth that impresses them,

but also the living and working conditions and the rights that

"Europe has always been

#### Turning outsiders into insiders

hen Japanese executives ponder international expansion these days, they invariably affirm that their companies long-term atrategy is to become "insiders" in overseas markets. And when the mar-ket in question is Europe, they often add: "Just like IBM and

In Japanese eyes, the larger US multinational companies (MNCs) have acquired enviable freedom to range widely across Europe without excit-ing protectionist reactions. By doing much of their manufactoring locally, by employing local managers and staff and by generally adding to economic prosperity, they have won honorary passports to most countries where they do

Companies such as IBM and Ford are keenly aware that doing well in Europe means doing good, and lose no opportunity to publicise their contrihutions to employment and exports in each of their main national markets.

However, Japanese compa-nies would be wrong to con-cinde that all they have to do is to pursue "localisation" policles more aggressively. Indeed, by simply stepping up their direct investments overseas they risk aggravating, rather than placating, the very antipathy they are so anxious

Stateless neutrals

For the really clever thing about US MNCs is not that they have demonstrated commitment to host economies but that they have avoided becoming anybody's national champion. By carefully cultivating the image of stateless neutrals, they have deflected concern abroad that they were extending the frontiers of US

economic imperialism.
It has probably never been less true that what is good for of world trade has steadily shrunk, that of US MNCs has remained bnoyant. MNCs may, indeed, have sometimes acted contrary to the broader US interest: by rushing to source and produce more from lowcost bases offshore, they have arguably hastened the erosion of the US's industrial base.

Statelessness, of course, can also have drawbacks. Ford has long complained about having to compete in Europe against national champion carmakers, behind each of which stands a government with a deep purse. Yet it is debatable how severe a handicap this really is. Not only is Ford adept at teasing subsidies ont of Enropean authorities, but its local rivals have probably lost as much as they bave gained from national policies which encouraged them to concentrate sales and production nar-rowly in their home markets.

Most US MNCs would resist any attempt by Washington to link their activities too explicitly to policy goals. Witness IBM's unhappiness several years ago when the Reagan administration tightened controls on high-technology exports. By seeming to subordinate the company's commercial strategy to contentious US political objectives, the affair set back IBM's energetic efforts in Europe to gain admission to prestige electronics research programmes such

as Esprit.
A few large European companies, such as Philips of the Netherlands and Electrolux and Ericsson of Sweden, have also attained relative statelessness. Interestingly, they almost ail hail from small countries, which cannot seriously be accused of ambitions to impose their economic will

on their neighbours. The problem for Japanese companies is that, to many foreign observers, their overseas expansion seems intended principally to propegate Japan's economic and technological hegemony. Thus Sony's recent acquisition of Columbia Pictures has heen widely viewed in the US not as a commitment by the company to the US economy, but as part of a menacing invasion hy "Japan Inc.'

Hysterical such reactions may be. But until Japanese companies manage to dispel the perception, rightly or wrongly, that their overriding objective is to advance Japan's national interest, winning acceptance as international "Insiders" is likely to remain an uphill struggie.

MONDAY INTERVIEW

# Champion of worker rights

Vasso Papandreou, EC Social Affairs Commissioner talks to John Gapper and David Buchan

much-vaunted internal market will be a failure if its economic gains are not passed on to ordi-

nary workers.

Precisely how the Social Charter will promote this vision is not yet clear. Its vagueness has attracted criticism from Sir Leon Brittan who voted against it, not because (as one might have expected from the senior UK Communistioner) he felt any Community charter would be wrong, but because the 33-article document which Ms Papandreon has proposed leaves unclear what should be done at Community level, and what should be left to member

PERSONAL FILE

1944 Born 1969 Studied economics at Athens University 1971-73 MSc in economics at London University. Tutor at Exeter University 1980 PhD Reading University 1985 Member of Greek partia-

1986-87 Industry Minister 1988 Trade Minister 1989 EC Commissioner for Social Affairs

states or their "social part-ners." Ms Papandreou is unwilling to clarify this, until she comes up with her promised social action programme by the end of next month. This, at least, means that when as bost of the EC summit

in Strasbourg in early December, President François Mitterrand, calls on his partners to join him in approving the Social Charter, they will know the practical consequences of what they are voting on.

The charter, and such subsequent social legislation as requires majority (as distinct from unanimous) approval, its citizens enjoy." For her, the will go through because of the

forces arrayed in its favour. Its strongest eupporters, even stronger than the European Trade Union Confederation (Etuc) and the socialist leaders of France and Spain, are the leaders of the northern conti-nental economies with high wages and high labour stan-dards. These leaders, and even more their trade unions, simply do not want these wages or standards underent hy the likes of Portugal Social dumping, or the competitive devaluation of wages and labour rules to attract or keep investment, has not occurred, as even Ms Papandreou acknowledges. But neither she nor the Helmut Kohls of the Community want

to take any chance. This fear of mass mobility of a low-paid workforce from Spain or Portugal undercutting spain or Portugal undercutting pay and conditions in other Community countries is not the only worry. Employment growth in the past five years has also brought a splintering of working patterns and contracts in the higher wage economies and the emergence there of a two-tier labour market.

Part-time and tamporary

Part-time and tamporary contract work, particularly in service industries and often performed by women, has boosted the employment-cre-ation component of economic growth. But Ms Papandreon shares the traditional Commission view that "flexible" employment patterns tend to benefit employers at tha expense of workers who often have no choice but to accept

"atypical" work.
She says the lack of childcare forces women into such work. I do not think that most women choose it. They are obliged to do these johs. Because of demographic pres-sures the demand for labour will increase and we have to have women better qualified and trained . . . why not give women the opportunity to have better jobs?"



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#### 'Countries look to the EC as a signal, a light, an example'

there is an increasing fragmentation of the labour markat. There are women who have had a very good education which the society has spent a lot of money on and then it is not used. From a personal point of view, women do not have the opportunity to fulfil themselves, and for the society, there is a waste of human

The British Government is already under some pressure on the issue of childcare following Commission research showing it is among the worst providers in the Community of publicly funded childcare for working parents, But Ms Papandreon insists that the social security and economic costs of not improving provi-sion are greater than those of doing so.

Her argument also relies on demographics: this time the increasing ratio of pensioners to workers in European countries because of the fall in birth rates below replacement levels. If women are not given the means of combining the bringing-up of children with working, either worsening labour shortages will constrict eco-nomic growth, or the birth of new workers will be limited. "In the short run, it might be a greater cost, but it is not a viable society if there is not an

increase in tha rate of birth. . . It is not only a problem for social security, it is a problem for production. says. She sees workers of both sexes having access to education and training, and being freed to use their know-

ledge through an enabling social framework.

These opportunities would not only fall within national boundaries; this European workforce could cross borders to meet demands for skilled labour in other countries. The Social Charter would then act as a charter for highly paid and skilled workers rather than simply being a barrier against the export of people with low pay and inadequate

She argues that people want greater freedom of movement, and high-skilled mobility would be economically desirable. "We face the problem of ... unemployment in some areas and sectors, and at the same time surpluses. If we give peo-ple better education and train-ing, then their mobility will increase. It is desirable and it

b necessary."

Despite this broad vision of an ideal Community labour market, Ms Papandreou is can-tious about the prospects of sweeping European legislation to bring it about. Directives on part-time and temporary work have been mooted since the early 1980s, and European unions would like to see a broad directive on atypical work included in the action programme. She seems less,

One piece of legislation site, sees emerging from the charter is insistence on written employment contracts for part-time and temporary work-ers to ensure the "transpar-ency" of working conditions. Another requirement she talks of is further harmonisation of pension arrangements across-European boundaries so that an engineer working abroad

would not lose social security contributions. A third legisla-tive proposal is expected to give some protection to, say, employees of a Spanish con-tract cleaning company operating permanently at Frankfurt or Heathrow airports.

Ms Papandreou is a socialist. But she says it strikes her as "confused and illogical" when s charter, supported by centre-right, Christian Democrats in Bonn, is said by the UK Gov-ernment to be "socialist and marrist. Apart from a few legislative proposals, Ms Papan-dreou emphasises her preference for voluntary action by the two sides of European industry. The Commission would like to extend the social dialogue down from the European discussion level to talks at national level and within

Despite the British Covernment's distance for the industrial consensus that Ms Papandreon favours, her "social dialogue" ought to be easier for it to swallow than Brussels-inspired legislation.

# Time to look anew at an Anglo-Irish court

he surrender by one country to another of fugitives from criminal justice has always been a troublesome subject, in which law and politics consistently con-front each other. The decision by the Irish authorities not to pnt Father Patrick Ryan on trial is the latest instance of a failure to deploy criminal justice in its international con-

From the end of the last century, extradition depended on reciprocal arrangements between countries for the return of fugitive offenders. Bilateral treaties were the method most commonly applied, although multilateral extradition arrangements were frequently made by States with political links. Reciprocating national legislation, for exam-ple, provides the bases for extradition between Common-

wealth members A common feature of such treaties and arrangements has been a refusal to surrender a fugitive for a political offence, though what is "an offence of a political character" — to adopt the phrase used unhelpfully by the United Kingdom Parlia-ment – has defied precise defi-nition. Dispute and uncer-tainty have prevalled in court decisions. In the last ten years at least, it has become possible internationally to recognise that those committing serious crimes of violence should not escape criminal justice by resorting to a claim that they were at least politically moti-vated, if not intrinsically offences against the State. But that move to combat terrorism has not stripped the procedural aspects of extradition of their political ingredients, although it has muted the substance of

law in extraditable crimes. The process of extradition requires an act both of executive government and the courts. Politicians, public administrators and courts form the segments of the process for deciding whether to accept a request for extradition, whether an extradition crime has been committed and whether there are any obstacles, legal or political, for the issue of a warrant of surren-

Guy de Jonquières der. Father Ryan'e case never



reached the stage of court pro-ceedings, simply because gov-ernmental decisions obtruded. The Belgian government had declined to hand Father Ryan over to Britain and instead deported him to the Republic of Ireland, his country of ori-gin. When the British government requested the Irish gov-ernment for his surrender to the authorities for trial in this country, they were thwarted by the Irish view that no fair trial could be guaranteed to Father Ryan since politicians in this country had made pub-lic statements that assumed Father Ryan's involvement with the organisers of terror-ism. The Irish prosecutor had been given unwittingly a sound basis for not handing over someone against whom there appeared to be sufficient evidence to warrant him being put on trial. Whether the political utterances would, in fact, have impeded a fair trial may be a matter of pure speculation. That there appeared to be a fear of irremovable prejudice in any future jury could not be

The option then was to invoke a law that gave the Irish courts jurisdiction to try certain offences committed abroad. The expectation was that, since there appeared to be sufficient evidence for a trial in England, the same witnesses would be available for any trial in Ireland. Not so, according to the Irish Director of Public Prosecutione. He has announced that no prosecution is to take place. In the absence of a reasoned decision, an uninformed guess must be that vital witnesses are unwilling to cross the waters and give evi-

deoce in an Irish court. It is altogether too facile to conclude that the decision of

the Director of Public Prosecu-tions is "politically unwise." Like our own Director of Public Prosecutions, the Irish counterpart is a public servant performing a duty of assessing and evaluating witnesses' statements and documents for the purpose of making an administrative decision. If the situation were reversed, and the DPP in England concluded that a trial should not take place, doubtless the Home Secretary and the Attorney-General would be quick to point out that the decision had been uninfluenced by political considerations and that the Director of Public Prosecutions was in any event independent of government. There can be no assumption that the Irish Director of Public Prosecutions

was persuaded to his decision by the politics of the case. The end result is profoundly unsatisfactory for both the Irish and English systems of criminal justice. Extradition and trial at home have each been found unavailable to pro-vide the necessary back-up to the combatting of terrorism. Instead of the excessive preoc-cupation with the politics that surround a particular case, rather we should look to ways of removing the immunity of terrorists from the processes of criminal justice. Proposals for a snpra-na-

tional court of human rights or a writ of world habeas corpus" appear to have little prospect of realisation in the near future, although some progress has been achieved on a regional basis among the mem-ber-states of the Council of Enrope. A more modest attempt might be made to establish an Anglo-Irish court, although in the recent past this has not found favour when suggested for dealing with terrorism in Northern Ireland. But it deserves some renewed consideration within the confines of effecting the Anglo-Irish Agreement. Meanwhile, some inquiry might usefully be conducted in order to inform the public in both the United Kingdom and the Irish Republic why it is possible for Father Ryan to claim his total innocence of offences for which there appears to have been

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